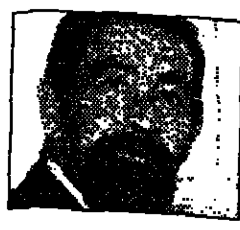
THE UNIVERSITY OF JORDAN



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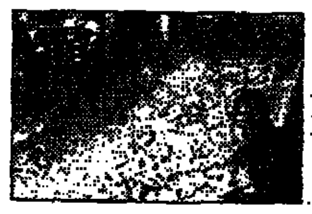

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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY APRIL 5 1993

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Bosnia's Moslem leader rejects Serb call for talks

Bosnia's Moslem president Alija Izetbegovic rejected Serb calls for direct talks between the country's three warring parties, aimed at reaching a peace plan compromise. Bosnian Serb leader Radovan Karadzic proposed talks after his self-styled parliament had rejected a plan dividing Bosnia into 10 semi-autonomous provinces.

In eastern Bosnia Moslem leaders barred a United Nations aid convoy from evacuating refugees from the besieged town of Srebrenica, apparently fearing this could contribute to the Serb policy of "ethnic cleansing". Page 2

Italian parties move apart: The rift between Italy's Democratic Party of the Left and the Christian Democrats deepened, threatening prospects of a more broadly-based coalition government. Page 12

Armenia continues offensive: Armenia was accused of having widened its offensive against Azerbaijan with an attack on Fizuli, south of the disputed territory of Nagorno-Karabakh. A tenth of Azeri territory has been captured so far.

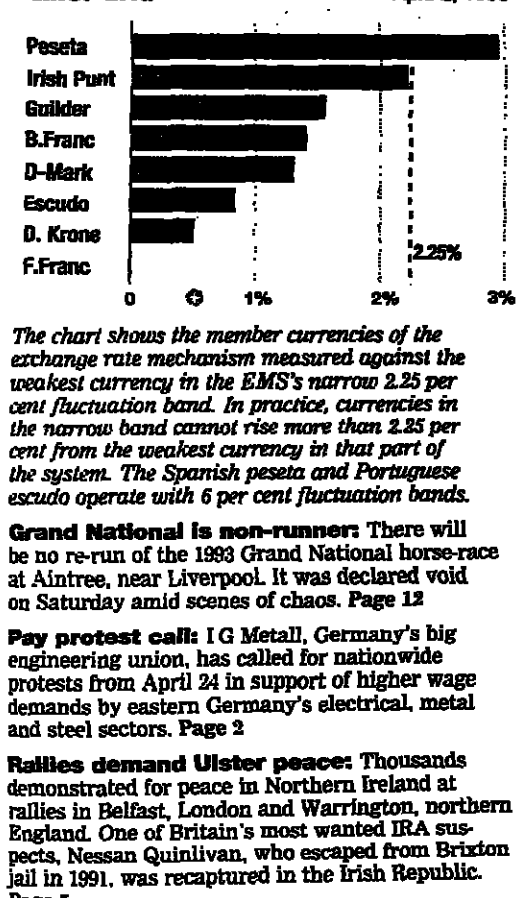
UK coal profits to drop: British Coal, UK public utility, is expected to report a steep fall in overall profits and may slide into loss for the year just ended. Exceptional losses from write-offs due to coal price falls and pit closure delays are blamed. Page 5

Danes back Maastricht: The Maastricht treaty has 48 per cent Danish popular support, according to a Gallup opinion poll ahead of the second referendum on May 18. Another 27 per cent said they would vote No and 25 per cent were undecided or would not vote.

UK beer tops Euro price list: British brewers charge trade customers the highest prices in Europe, and their industry is the only one not to have improved productivity in recent years, says a London stockbroker. Page 12

European Monetary System: Tensions within the European exchange rate mechanism's grid have abated recently. The distance between the strongest currency, the Spanish peseta, and the weakest, the French franc, has narrowed from more than 3 percentage points last week to 2.93 points today. One of the highlights of the next few days will be the announcement of details of the French government's economic policy, which could strengthen the French currency further. Currencies, Page 23

EMS: Grid April 2, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Grand National is non-runner: There will be no re-run of the 1993 Grand National horse-race at Aintree, near Liverpool. It was declared void on Saturday amid scenes of chaos. Page 12

Pay protest call: I G Metall, Germany's big engineering union, has called for nationwide protests from April 24 in support of higher wage demands by eastern Germany's electrical, metal and steel sectors. Page 2

Rallies demand Ulster peace: Thousands demonstrated for peace in Northern Ireland at rallies in Belfast, London and Warrington, northern England. One of Britain's most wanted IRA suspects, Nessan Quinlivan, who escaped from Brixton jail in 1991, was recaptured in the Irish Republic. Page 5

Lufthansa attacks air pact: Lufthansa chairman Jürgen Weber urged the German government to cancel its air transport agreement with the US. He says US airlines are virtually unhindered in Europe while Lufthansa is restricted by the treaty. Page 2

Italy's telecoms heads for change: Restructuring of Italy's state-run telecommunications sector has been approved by a cabinet committee opening the way for creation of a single company to run telecommunications services. Page 15

Moves to cut Palestinian workforce: The Israeli government took steps to reduce the number of Palestinians from the occupied territories working in Israel. A labour ministry team has started work to replace Palestinian workers with Israelis.

Czech truckmaker seeks new partner: The Czech government will look for another foreign partner for the Avia truck company after last week's decision by Mercedes-Benz to abandon its planned $250m joint venture. Page 15

Ivory Coast military pay protest: Soldiers in Ivory Coast's republican guard began shooting before dawn in the town of Yamoussoukro, in a protest over pay.

Clinton commits $1.6bn to support Yeltsin reforms

Higher than expected figure is prompt to other nations to back Russian democracy

By Jurek Martin and John Lloyd in Vancouver

US PRESIDENT Bill Clinton yesterday announced a package of credits and grants to Russia worth $1.6bn at his summit talks with Russian President Boris Yeltsin in Vancouver.

The figure, higher than expected, is both a sign of support for the beleaguered Russian president and a prompt to the other wealthy industrial countries that Washington expects a high commitment to support Russian democracy over the next few crucial weeks.

The US help comprises $690m in grants and $932m in credits, of which about $900m are for Russian purchases of US food. None require Congressional approval, officials said, and disbursement could take effect immediately.

The issue of the approximately $630m in Russian arrears on existing Commodity Credit Corporation repayments has been circumvented by tapping the Food for Progress programme of the US Agriculture Department. Of $700m in planned concessional food sales, Russia would be granted a grace period of up to seven years for repayment and concessional interest rates over the rest ot the life of the 15-year operation.

The US is also implementing a wide range of other initiatives, including $215m for the dismantling of Russian missiles, a $50m enterprise fund for small business, a $95m privatisation fund, $48m for promotion of democracy, a demonstration project to rehouse Russian military officers and extensive trade and investment projects, with particular emphasis on the energy sector.

Mr Clinton, whose officials and spokesmen have over the weekend stressed his admiration for Mr Yeltsin's resilience, has made it clear that the Russian president must receive unequivocal and solid support from the west in the next three weeks, leading up to the April 25 Russian referendum on trust in him and his economic programme.

Senior officials in Vancouver said the total package of aid from the Group of Seven industrialised countries should be approved at the meeting in Tokyo between foreign and finance ministers in ten days' time. This sum, estimated to come out at between $10bn and $20bn, will be available to Mr Yeltsin's government once the west is satisfied that it has control of the main economic levers, crucially the central bank.

Mr Clinton particularly emphasised to Mr Yeltsin in talks on Saturday night that the central bank, whose credit expansion is seen as the main motor of the 20 to 25 per cent monthly inflation rate, must be disciplined. Mr Boris Fyodorov, the deputy premier for the economy, has asked Mr Yeltsin to fire Mr Viktor Gerashchenko, the pro-credit central bank chairman: however, such decisions depend on Mr Yeltsin's political victory.

Mr Yeltsin appeared to accept the US perspective in Vancouver, saying soon after his arrival that "thanks to the fact that the world community is becoming involved in Russia's problems we will manage to bring Russia's reform process to a successful conclusion". Like Mr Clinton and Mr Brian Mulroney, the Canadian prime minister who is his host, Mr Yeltsin cast the struggle in Russia in stark black and white terms: "the communists want to take revenge and throw us back to the past", he said. Mr Andrei Kozyrev, the Russian foreign minister, said that a "disaster" would ensue if Mr Yeltsin did not win the referendum, adding that his opponents on the parliament "want to get back to the former Soviet Union, which is impossible and would collapse into chaos".

The US package followed some good days for the Russian president, who now risks repeating Mr Mikhail Gorbachev's experience of being lionised abroad and reviled at home. He received pledges of help totalling £120m ($180m) from Mr Douglas Hurd, the British foreign secretary, in Moscow on Thursday and $200m from Mr Mulroney in Vancouver on Friday – a total, with the US package, only just short of $2bn.

CLINTON-YELTSIN SUMMIT

Page 4

- Backing for Yeltsin a big gamble
- G7 aid a condition for reform, not a reward

Talking heads: Bill Clinton (left) and Boris Yeltsin take a walk during the first summit meeting between the two presidents, being held in Vancouver, to discuss a US package of credits and grants for Russia

Rocard topples Fabius as leader of French Socialists

By David Buchan in Paris

FRANCE'S Socialist party, shattered by losing more than 200 seats in last month's general election, has been further shaken by a weekend political coup in which Mr Michel Rocard has toppled Mr Laurent Fabius as party leader.

The speed and manner with which Mr Fabius was ousted by Mr Rocard, who still claims to be the party's presidential candidate in 1995 despite losing his parliamentary seat, has led to bitter recriminations. A number of younger Socialists are now looking to Mr Jacques Delors, the European Commission president who is a French Socialist, to salvage their party.

After a long debate within the party's executive board on Saturday, Mr Rocard was voted the head of a provisional committee to steer the party until it holds its congress in July, effectively dissolving the post of first secretary which Mr Fabius has held for 18 months.

As so often in French socialism, personality rather than policy was the determining factor. Mr Fabius has long been President François Mitterrand's proxy in trying to block the rise of Mr Rocard, a relative late-comer to the Socialist party whom the president considers a dangerous opportunist.

The upshot of Saturday's battle is to leave Mr Mitterrand more politically isolated than ever as he faces the new conservative government of prime minister Mr Edouard Balladur. Mr Fabius managed to keep his own parliamentary seat, and the new leader of the much-diminished parliamentary Socialist party is a Fabius supporter. But the party leadership, at least until July, has passed into hands hostile to Mr Mitterrand.

Mr Rocard said yesterday he would give "priority to the reconstruction of the left" rather than to "personal adventures". But the 62-year-old former prime minister evidently calculated he could not afford to delay preparation of his presidential bid by letting Mr Fabius continue in his post even for four more months.

Few of Mr Rocard's declared supporters kept their seats last month. But he capitalised on Mr Fabius's nominal responsibility as party leader for the election debacle, and won backing from supporters of Mr Lionel Jospin, a departing party heavyweight.

Mr Jean-Pierre Chevènement, a left-wing former defence minister, resigned from the party yest-

Continued on Page 12

Spanish PM hints he may quit unless scandal is resolved

By Peter Bruce in Madrid

MR FELIPE González, the Spanish prime minister, and his ruling Socialist party are heading for a clash this week over a corruption scandal that is seriously damaging Socialist chances of being re-elected later this year.

In a pointed interview at the weekend, Mr González hinted that he might resign as party leader if the Socialist party machine did not take political responsibility for the scandal.

At issue is the so-called Filesa affair – named after a bogus consulting company, run by senior party officials, which took money from big business in return for industrial research which was never done. The money was used to pay Socialist election expenses in the late 1980s.

The affair has hurt the party in the polls ahead of elections which must be held before the end of the year. It has also sharpened old tensions between Mr González's conservatively minded government and the more radical party, which has vigorously denied it had anything to do with Filesa.

Mr González had not wanted to stand for a fourth term as prime minister, but was persuaded to do so by the party, which sees him as its only chance of winning.

However, he has begun to realise that public opinion is heavily against waiting for a court ruling on Filesa and in favour of a show of political responsibility – one or more senior resignation – by the party or government.

Felipe González: not pressing for resignations over Filesa affair

In his interview on Spanish radio, he said he was not pressing anyone to resign but hinted that he was not prepared to go to the electorate with the scandal hanging over him.

If he were to withdraw, there seems little doubt the Socialists would suffer severe reverses.

A party executive meeting scheduled for today has been delayed until next Saturday as party infighting intensifies.

The most likely candidate for sacrifice would be the number three man in the party, Mr José Maria Benegas, who has, it is reported, already offered to resign.

A Basque, Mr Benegas is an old Socialist warrior who has courageously stood up to intimidation from Basque separatist terrorists in the past. But under his direction the party has failed to satisfy public unease about the financing scandals.

Japan's LDP plans Y13,000bn package

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party has proposed a spending package of more than Y13,000bn ($107bn) to stimulate the economy, but has yet to agree the amount with the Ministry of Finance, which is pushing for a lower figure.

The Y13,000bn figure, decided at the weekend, is essentially an LDP "wish list" in response to a promise by Mr Kiichi Miyazawa, the prime minister, that the package will be "the biggest ever, certainly larger than the Y10,700bn emergency package of last year.

Mr Miyazawa wants to take an impressively large figure with him to Washington later this month, as the US has been pressing Japan to revive its economy, but doubts remain about the quality, if not the quantity, of the new measures.

The LDP list includes Y9,000bn in public spending, Y2,000bn in "social infrastructure" and Y2,000bn in additional lending to home buyers and small businesses by government-linked financial institutions.

"Social infrastructure" spending is designed to improve the quality of life in line with a past suggestion by Mr Miyazawa that Japan will become a "lifestyle superpower".

It is unclear how much of this investment is the front-loading of already planned spending schemes. For example, at least Y1,000bn on the public spending

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Japanese 'losing faith in leaders', Page 3

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira30	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

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Local leaders prevent UN from evacuating refugees

Bosnia's president spurns Serb calls for direct talks

By Robert Mauthner, Diplomatic Editor

MR Alija Izetbegovic, Moslem president of Bosnia-Hercegovina, yesterday rejected Serb calls for direct talks between the country's three warring parties, aimed at reaching a compromise on a peace plan negotiated by international mediators.

The face-to-face talks between Moslems, Serbs and Croats were proposed by the Bosnian Serb leader, Mr Radovan Karadzic, after his self-styled Serb parliament had rejected a map drawn up by Mr Cyrus Vance and Lord Owen, UN and EC negotiators, dividing Bosnia into 10 semi-autonomous provinces.

While admitting he had hoped the parliament's declaration would be "a little less tough and more positive towards the plan," Mr Karadzic denied it had been entirely turned down.

"We accept the positive achievement of the Vance-Owen plan so far and we expect to correct the maps through direct talks face-to-face with the sides to the conflict," he said in an interview with Reuter TV. Mr Izetbegovic, however, told reporters in Sarajevo yesterday that Mr Karadzic was up to his usual "games and tricks", and that he was confident the international community would see through them.

"It is a rejection [of the plan] and nothing less," he said.

After reluctantly signing the peace plan himself last month, Mr Izetbegovic had made it clear he would withdraw his signature unless the Bosnian Serbs endorsed the Vance-Owen plan unchanged.

Meanwhile, a ceasefire agreed a week ago appeared to have broken down at the weekend after heavy fighting was reported around the besieged Moslem town of Srebrenica in eastern Bosnia. Lieutenant-General Lars-Eric Wahlgren, commander of UN forces in Bosnia, called on Bosnian Serbs to stop besieging the town and to respect the ceasefire.

Local Moslem leaders yesterday refused to allow a UN aid convoy to evacuate refugees from Srebrenica. Moslem leaders have indicated they believe such evacuation would contribute to the Serbs' policy of expelling Moslems from areas which Serbs want to claim as their own.

Eight trucks, which delivered 75 tonnes of food to the stricken town which is within range of Serb gun positions, left empty.

Hardline members of the Bosnian Serb parliament forced through a declaration on Saturday which made clear that the Vance-Owen map, which would reduce the territory allocated to the Serbs from the 70 per cent of the total surface of Bosnia which they occupy now to 43 per cent, was "unacceptable".

Mr Warren Christopher, US secretary of state, also said in Vancouver at the weekend that he thought there was still a possibility the peace plan could be adjusted to meet Serb concerns.

Describing the Bosnian Serb decision as "regrettable", he nevertheless believed they had left the door open and that efforts should continue to try to persuade them it was in their and the world's interest "to bring this slaughter" to an end.

"We're not ready to give up," Mr Christopher said. The tone of his remarks was noticeably more conciliatory than his previous statements about punitive sanctions against the Serbs, probably in deference to Mr Boris Yeltsin, the Russian president, who was attending a summit with US President Bill Clinton in Vancouver.

A Bosnian Serb soldier relaxes beside his mortar at the weekend

Lufthansa chief attacks US deal

By Christopher Parkes in Frankfurt

THE German government should cancel its air transport agreement with the US, Mr Jürgen Weber, Lufthansa chairman, said at the weekend.

All efforts to bring the national flag-carrier back into profit would be fruitless as long as US airlines were allowed to swarm virtually unhindered into Europe and while Lufthansa laboured under the constraints of an antique bilateral treaty, he argued.

Mr Weber, a former aviation engineer installed two years ago to set the loss-making, 51 per cent government-owned, German airline to rights, feels he has filled his side of the bargain.

"I cannot take on the tasks of my main shareholder," he told the FT.

He has slashed the workforce – 5,000 jobs have gone in less than a year – a groundbreaking pay deal last summer, including a wage freeze, has helped reduce personnel costs 27 per cent, and flights to the growing markets of Asia and eastern Europe have been increased.

But recession and continuing price competition have continued to take their toll. "Last year we carried 11 per cent more passengers and 6 per cent more freight, but the end effect was less in the till," he said.

In fact, Mr Weber's efforts earned the airline a modest reduction in losses, down DM30m to DM300m (£127.1m) in 1992. But that seems insufficient for a man who has repeatedly promised that he will return the business to profit in 1995, after just three years of his restructuring programme.

Now he believes it is Bonn's turn to deliver the changes he is unable to engineer himself. He has sent government officials off to talks with US authorities with his concerns ringing in their ears.

Mr Weber says that cancelling the aviation deal, which in any case is due to be renegotiated by the end of October, will at least clear the ground for a fresh, more even-handed agreement than the one which has limited German airlines' access to a dozen US destinations.

"If it is cancelled then we will have a position where both partners can start off on an equal basis," he said.

But Mr Weber needs more than a level playing field to help him score in the US. Although North American routes account for 30 per cent of group revenues, Lufthansa has been unable fully to capitalise on the access it already has.

The main reason is the lack of links other European competitors enjoy with US airlines, and which enable them to move their passengers smoothly and profitably on to regional destinations within the world's biggest domestic market.

In the past two years Lufthansa has started partnership talks with both American Airlines and USAir, only to abort them later. Last autumn it pulled out of a proposed bid for Continental.

Now fresh talks are under way again with an unnamed party. Their chances of success would hardly be enhanced if Bonn's negotiators took Mr Weber's weekend urgings at face value and chose confrontation. On the contrary, improved access to main landing points in the US could strengthen Lufthansa's hand with its new potential collaborators.

Florida health reforms offer national model

By George Graham in Washington

FLORIDA'S legislators have approved a far-reaching overhaul of the state's healthcare system that may foreshadow national reforms being considered by the Clinton administration.

Governor Lawton Chiles said the plan would extend medical insurance to millions of people left out by the current system, and should serve as a model for national reform.

The plan adopted in Florida follows the "managed competition" principles that President Bill Clinton has said will form the framework of his reform, and will be applied on a wider scale than different schemes adopted in less populous states such as Oregon and Hawaii.

The current Medicaid programme gives health coverage to low-income families and is sponsored by the federal government but paid for in part by the states. The programme is already the dominant factor in most state budgets, forcing them to consider ways to lower medical costs or at least curb medical inflation.

The heart of the Florida plan is the creation of 11 regional co-operatives that will act as purchasing pools to negotiate directly with doctors and hospitals for medical services.

The pools will agree fixed annual fees with providers of medical services, beginning with state employees and recipients of Medicare – another federally sponsored programme that covers the elderly – as well as the poor, who will be covered by the state. Business membership, however, will be voluntary.

Insurers will be prohibited from excluding people from coverage because of existing health problems.

More than 2m people in Florida and 35m nationwide fall through the cracks in current provision. They have no health insurance provided by their employers but are not poor enough to qualify for Medicaid.

One of the principal problems faced by Florida and the Clinton task force considering healthcare reform is how to pay for an extension of coverage to these people.

Florida hopes to cut medical costs through the annual fees, and by covering everyone so that hospitals no longer shift the cost of caring for those without insurance on to those who have it.

The federal task force chaired by Mrs Hillary Rodham Clinton, the president's wife, has been considering explicit price controls or national budget caps, as well as ordering employers to provide healthcare coverage for their workers.

Fitness plan for body and soul, Page 11

Experts come to defence of AZT

By Louise Kehoe in San Francisco

AZT will remain the cornerstone therapy for Aids in spite of the preliminary results of a large-scale Anglo-French study, published on Friday, that raises questions about the effectiveness of the drug, US Aids experts said.

The so-called Concorde study should not cause alarm, medical experts and Aids activists in San Francisco stressed.

The study "doesn't really change what we already knew or suspected; that AZT when administered as a single therapy is not very effective," said a spokesman for the San Francisco Aids Foundation, which offers counselling and support to those with the HIV virus.

Current US treatment uses AZT (produced by Wellcome of the UK and marketed as Retrovir) in combination with other drugs such as DDI (didanosine, made by Bristol-Myers Squibb) or DDC (valcitabine, Roche), both of which have been approved by the FDA for treatment of HIV infection.

This "combination therapy" was developed as, in most patients, the HIV virus became resistant to AZT after six to 18 months, Aids experts said. It was not surprising the European study, which followed HIV-infected patients over a three-year period, showed the limitations of AZT.

Early treatment of HIV infection is still critical, the experts maintain, as studies suggest the virus is active in the lymphoid tissues the lymph nodes, tonsils and spleen – during the so-called latent period, which can last up to 10 years after infection, and before symptoms appear.

"It would be a tragedy if the results of the European AZT study discouraged people from seeking early treatment," said one observer.

Pinheiro champions EC openness

By David Gardner in Brussels

EUROPEAN citizens would have the right to demand information on EC proposals and decisions which affect them, under a new "openness" regime the Commission is due to discuss at the end of this month.

Mr João de Deus Pinheiro, the EC commissioner for internal political relations who has the job of trying to restore the Commission's credibility at a time of widespread hostility, told the Financial Times he is planning a radical overhaul of the Brussels information directorate.

The, until now, virtually invisible directorate known as DG10 will be slimmed down and reorganised, with officials responsible for obtaining and providing information on each area of EC policy on demand.

Under Mr Pinheiro's plans a small watchdog group, independent of the "vested interests" of other Commission departments, will monitor DG10 for the quality and timeliness of its information. The operation as a whole would be overseen by a consultative council made up of users of the service in each member state.

"They will be there to provide the truth. There will be no propaganda, I am very clear cut on that," Mr Pinheiro said.

His plan has still to be discussed by the Commission, and although the commissioner expects fierce resistance to the degree of openness, he claims backing from Commission President Jacques Delors.

His chances of getting his reforms through should have improved after the outcry that greeted a report on EC information policy last week by an independent group of mostly public relations experts. The report, commissioned by Brussels last November, recommended advertising and propaganda techniques to sell European integration to citizens and journalists.

"What we want is quite different," Mr Pinheiro said. This would include providing information on problems created by EC decisions and would oblige the Commission to admit mistakes. "A certain humility is called for," the former Portuguese foreign minister said. "You can't pretend that whatever you do is blessed by some hidden God who prevents you from making mistakes."

As an example of how the new system would work, Mr Pinheiro said any steel region or company in the EC would be able to get full, comparative information and background on the controversial cuts in steel output now under discussion.

"Information has to be based on reality," the commissioner argued, acknowledging that the EC had until now tried to hide the downside of programmes like the single market, which started up this year.

The convergence criteria on public debt agreed as part of the Maastricht treaty on economic and monetary union will act as a safeguard should markets fail to respond to budgetary excess, according to Mr Chris Boyd, a member of the cabinet of Mr Jacques Delors, president of the European Commission, writes David Goodhart, Labour Editor.

In a paper to the Trades Union Congress in London which seeks to rebut the claim that the convergence criteria are deflationary, he states: "The criteria may act as a safeguard should the markets, whose judgment is not always perfect, fail to recognise the signs of budgetary excess."

The public debt criteria of the Maastricht treaty set "reference values" of 60 per cent of GDP for public debt and 3 per cent of GDP for annual public deficits.

IG Metall keeps up wage pressure

By Judy Dempsey in Berlin

I G Metall, Germany's big engineering union, has called for nationwide protests from April 24 in support of higher wage demands by eastern Germany's electrical, metal and steel sectors.

Mr Franz Steinkühler, head of the union, also told a rally in the east German city of Magdeburg at the weekend that members throughout the five east German states would be balloted later this month on whether to hold an all-out strike in the region. He added that I G Metall would continue warning strikes in eastern Germany until the employers' steel, and metal and electrical associations agreed a 21 per cent pay increase for the steel sector and a 26 per cent increase for the metal and electrical industry.

The pay increases are part of a contract signed between the union, west German employers and east German managers in March 1991 aimed at equalising German wages by April 1994. Wages in the east are below 70 per cent of west German levels. The employers say they cannot now meet the demands because of the recession in western Germany and low productivity in the east.

● The Treuhand agency, responsible for privatising east German industry, is to press ahead this year with selling a remaining 2,000 enterprises. But some of them may have to be shut down.

Mrs Birgit Breuel, Treuhand president, said in a radio interview that the sale of 800 of these enterprises would soon be legally binding. She was "confident" most of the remaining 1,200 could be sold.

Bonn plans toxic waste retrieval

By Ariane Genillard in Bonn

MR Klaus Töpfer, Germany's federal environment minister, arrived in Bucharest yesterday to assess ways to clean up 400 tonnes of toxic waste illegally exported by Germany to Romania in recent years.

The waste, exported by both east and west German companies, has been stored in and around the Transylvanian town of Sibiu in corroding containers, according to the environmental group Greenpeace.

Plans were made to take the toxic waste back to Germany in early March. But disputes between the German states over where the waste should go and who should pay for its transportation have delayed the move. The total cost of re-importing the waste is estimated at DM3.3m ($1.98m).

The plans followed a campaign by Greenpeace which has recently reported a string of illegal dumping sites used by German companies abroad.

At the weekend, officials from the Environment Ministry in the state of Lower Saxony ordered back some 3,000 tonnes of metal waste due to be exported to Russia by a west German enterprise and labelled as industrial goods, according to the Süddeutsche Zeitung.

● The government will probe Hoechst, Germany's largest chemical group, to see if poor organisation was to blame for a string of accidents at its plants, officials said at the weekend, Reuter reports from Frankfurt.

Mr Töpfer said he and local officials had agreed on the investigation, to be carried out by his ministry.

Poor prognosis for EC drug agency

A new body streamlining drug authorisations is facing delay, writes Frances Williams

THE EUROPEAN MARKET

THE European Medicines Evaluation Agency, intended to streamline drug authorisations within the European Community, faces an uphill struggle to get under way by 1995.

The main decisions on the agency's operations – including location, cost and staffing – remain to be taken. Prof Duilio Poggiolini, chairman of the EC's committee for proprietary medicinal products (CPMP), which will advise the new agency, says he hopes heads of government will agree a location when they meet in Copenhagen in June.

But with several countries, including Britain, lobbying hard for the EMEA, this may prove optimistic.

The EMEA is a crucial plank of the EC's single market programme for the free circulation of goods within the 12 member states. Once the new system is operational by the end of the decade, the same drugs, conforming to standards of safety, effectiveness and quality, should be available throughout the Community.

There will be Community-wide monitoring of adverse reactions.

Pharmaceuticals companies will submit new drugs for approval either directly to the EMEA through a centralised procedure, or through a decentralised route based on mutual recognition of authorisations by national authorities, with binding EMEA arbitration in case of argument.

Biotech drugs will have to go through a centralised assessment by the CPMP, which will be optional for other high-tech drugs. For the foreseeable future, however, most drug approvals will go through the decentralised system – which means companies can still choose which country they go to for initial authorisation.

"What industry wants is a speedy decision at reasonable cost," says Mr Ben Hayes of the Association of the British Pharmaceutical Industry. "In the end, companies will take a commercial decision on which route to take."

Both procedures are supposed to be quick – crucial when limited patent life can leave only a few years for companies to recoup costly investments – and should obviate the need for separate sets of clinical trials and repetitive paperwork now demanded by national medicines agencies.

Under the centralised system the CPMP, which consists of pharmaceutical regulators and experts from the 12 member states, will appoint one or maybe two national agencies to act as rapporteurs, or assessors, for a drug application. The verdict, which must be delivered in 210 days, will normally be made binding across the Community within another 90 days.

Under the decentralised procedure an even tighter timetable is envisaged for marketing approvals granted by one member state to be recognised by others, although arbitration could stretch this to 10 months or so.

Company preferences will be influenced by how smoothly the two procedures work. Prof Poggiolini points out that the risk of national objections is lower when people get together to discuss scientific evidence – a plus for the centralised procedure.

However, pharmaceutical companies which have already established good lines of communication with national agencies may be reluctant to switch to the new, and therefore uncertain, EMEA system. There are also worries the CPMP may choose rapporteurs on a rotational basis rather than for their expertise in evaluating particular types of product.

As for cost, a recent report for the European Commission by consultants Touche Ross and Besselaar suggests the EMEA may be more expensive to run than originally envisaged, even though it is intended to co-ordinate rather than replace the functions of national medicines agencies.

They estimate that by 1999 the EMEA will need a staff of about 250 and an annual budget of some $60m (£42.2m). Prof Poggiolini describes these figures as "a basis for discussion". No decision has yet been taken on how this might be split between fees charged to companies and direct funding by the EC.

The 12 Community countries employ 2,000-2,500 full-time staff, plus about 1,000 expert consultants, on drug evaluation. According to Touche Ross and Besselaar this costs about $300m a year.

The consultants calculate that, by the end of the century, perhaps 40 per cent of the 8,000-10,000 applications handled by national agencies each year will no longer be necessary.

Prof Poggiolini argues that the new system should spur innovation and become a platform for worldwide efforts to harmonise drug standards.

The CPMP is already involved in discussions with the US Food and Drug Administration and its Japanese counterpart on standardising requirements for drug effectiveness, quality and safety, in the International Conference on Harmonisation. However, Prof Poggiolini says harmonisation on a global basis will not be a reality before "the early years of the next century".

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Mubarak seeks talks with Rabin

By Mark Nicholson and Roger Matthews in Cairo

EGYPT'S President Hosni Mubarak is seeking a summit with Mr Yitzhak Rabin, the Israeli prime minister, after his discussions on reviving the Middle East peace process in Washington, Israeli officials said yesterday.

Mr Gad Ben Ari, Mr Rabin's spokesman, said Egypt's ambassador in Israel had requested the meeting a few days ago. But he added: "In terms of exact dates and in terms of location, nothing is set." Mr Mubarak, who has emerged as the key intermediary in efforts to revive the stalled peace talks, meets President Bill Clinton tomorrow. Mr Mubarak said last week he would report the substance of his meeting to Mr Rabin on his return to Cairo.

The Egyptian leader has recently met President Hafez al-Assad of Syria and Mr Yassir Arafat, the Palestine Liberation Organisation chairman.

The PLO is meeting this week in Tunis to discuss possible measures to resolve the crisis over the Israeli mass deportation of Palestinians in December which has blocked the resumption of peace talks.

The Palestinians have said they will not decide whether to attend the next round of talks, scheduled for April 20, until after Mr Mubarak's return from Washington.

Mr Mubarak would particularly welcome a successful mediation effort at a time when his government is under strong pressure from Islamic fundamentalists at home. It would also underline Egypt's strategic value to Washington while the country is seeking a renewed US commitment to the \$2.1bn it receives in annual civil and military aid.

An Israeli-Egyptian summit would be unlikely without a solution being found to the peace talks impasse. In the event of a deal, Mr Mubarak could seek to extract the maximum symbolic publicity from his role by meeting Mr Rabin in Jerusalem. This would mark the first visit to Israel by President Mubarak since he took power more than a decade ago, and the first by any Egyptian leader since the historic trip of President Anwar Sadat in November 1977.

A senior Egyptian foreign ministry official said Mr Mubarak had decided in principle to make such a visit, saying "it is not a question of whether, but of when". The official said Mr Mubarak would not have countenanced such a trip while Mr Yitzak Shamir, the former Likud prime minister, was in power.

Taiwanese visit China

A FOUR-MEMBER Taiwanese delegation left for China yesterday to pave the way for a ground-breaking meeting between representatives of both sides, Reuter reports from Taiwan.

The delegation from Taiwan's Straits Exchange Foundation, a semi-official body which handles ties with China, will begin preparations for a meeting between SEF chairman Koo Chen-fu and Wang Dao-han, head of China's Association for Relations Across the Taiwan Strait, in Singapore later this month.

Taiwan has banned official contact with Beijing since the end of the Chinese civil war in 1949. But trade and civilian ties have expanded rapidly since political tensions eased in the late 1980s.

The Singapore meeting would focus on ways to protect Taiwanese investment in China and co-operation to fight crime.

Venezuela approves oil project

THE Venezuelan cabinet approved at the weekend a \$1.7bn heavy oil project to be carried out by Conoco, a subsidiary of EI du Pont, and Venezuela's national oil company, writes Joseph Mann in Caracas.

The project calls for producing and upgrading very heavy crude oil from Venezuela's Orinoco oil belt, the world's largest known accumulation of heavy oil and bitumen.

This is the first time a foreign company will be allowed to participate as a direct investor in Venezuela's oil production sector since the republic nationalised its petroleum industry in 1976. It is also the first step towards opening up large-scale production in the belt.

Conoco and Maraven, a subsidiary of Venezuela's national oil company, PDVSA, will be equal partners in the project, according to Mr Frank Alcock, PDVSA vice-president.

The plan, which must be approved by the Venezuelan congress, involves producing 120,000 barrels a day of extra-heavy crude oil from the Orinoco belt and converting it into 102,000 barrels a day of lighter gravity oil, plus 3,000 tonnes of petroleum coke.

The belt, north of the Orinoco river, contains an estimated 1,200bn barrels of extra-heavy crude oil and bitumen.

Brazil presses on with sell-off

The Brazilian government sold 70 per cent of the shares on offer in the sell-off of the Companhia Siderurgica Nacional (CSN), the steel company, on Friday. The remaining 30 per cent are scheduled to be sold today, writes Bill Hinchberger in São Paulo.

President Itamar Franco held firm in his determination to sell the company, despite protests by nationalists and law suits filed by opponents. Administration officials worked intensively on Friday to overturn several court orders suspending the auction, which was delayed by three hours.

A US Marine and a Somali boy enjoy a game on Mogadishu's "green line" at the weekend. Meanwhile Médecins Sans Frontières and the International Committee of the Red Cross have pulled out of the southern Somali port of Kismayu because of fears of attack by warring clans, the UN said, agencies report.

Japanese 'losing faith in leaders'

By Robert Thomson in Tokyo

THE Japanese are increasingly disillusioned with their politicians and have lost confidence in the country's direction, according to an annual survey by the prime minister's office, which found respondents unusually gloomy.

A record 70.1 per cent of the 10,000 polled said public opinion was not properly reflected in national politics. The negative response follows a series of scandals involving the ruling Liberal Democratic party.

The level of disillusionment was highest among the young. About 81 per cent of those aged between 30 and 34 said their opinions were not reflected in political debate. Overall, 23.5 per cent thought politics did take into account their opinions.

As for the country's general direction, a record high of 44.3 per cent, up from 35.5 per cent in the previous year, said Japan was "off course", with most concerned about a decline in working conditions and job security. Meanwhile, only 31.4 per cent consider that Japan is still on course.

The survey found that 49.8 per cent of respondents think Japan is valued by the international community, down from the 50 per cent of a year ago, but still above the 41.1 per cent who suggested that the country is not valued.

Tide running out for royalty in Australia

Kevin Brown in Sydney sees a drift towards republicanism as old ties with Britain fade

"WELL MAY we say 'God Save the Queen', because nothing will save the governor-general."

So spoke Mr Gough Whitlam, former prime minister, shortly after his Labor government was dismissed by Sir John Kerr, the governor-general, at the height of Australia's worst constitutional crisis in 1975.

Mr Whitlam was wrong (he lost the subsequent election in a landslide). But 18 years later, it seems that nothing can now save either the governor-general or his sovereign, Queen Elizabeth II, from the rising tide of republicanism.

Republicanism was not an issue in last month's federal election, which was narrowly won by Mr Paul Keating's incumbent Labor government after a campaign fought almost entirely on economic issues.

But Labor's unexpected victory has unleashed a surge of support for constitutional change in the Liberal party, the larger of the two partners in the opposition coalition. Three state Liberal leaders this week urged the party to consider dropping its traditional support for the monarchy, including Mr John Fahey, premier of New South Wales, the most populous state.

Other prominent Liberals remain sceptical. Mr John Hewson, the federal leader, has avoided committing himself, and Mr Jeff Kennett, premier of Victoria, describes republicanism as "a tenth-order issue". The party's freedom to change course is also limited by its need to avoid a split with the strongly monarchist National party, the coalition's rural-based junior partner.

But the willingness of so many leading Liberals to contemplate constitutional change suggests the party will accept that a gradual transition to a republic is inevitable.

Diminishing support for the monarchy reflects Australia's gradual drift away from its traditional links with Britain, the former colonial power, which annexed the continent in 1788. Australia achieved independence in a series of steps between the federation of the continent's six states in 1901 and the abolition by the UK parliament of its residual legislative rights in 1986.

The monarchy has remained untouched largely because of the difficulty of amending the 1901 constitution, which says Australia's head of state is the British monarch, represented by a governor-general.

Surveys suggest that up to 70 per cent of Australians now think this last link should be broken. But there are a host of problems to be solved before any practical steps can be taken. Most importantly, there is no consensus between republicans on what sort of constitutional framework Australians should be asked to accept.

Constitutional change is even backed now by leading Liberals

The simplest procedure would be to change the governor-general's title to president, and remove the requirement for the Queen to appoint him.

This minimalist approach is favoured by the Australian Republican Movement, led by moderates such as Mr Thomas Keneally, the novelist, and Mr Malcolm Turnbull, a Liberal lawyer and merchant banker.

However, the more radical Australian Republican Party says the transition should be used as an opportunity to abolish the states. Mr Ian McPhee, a former federal Liberal minister, has argued a similar case. Other ideas include the entrenchment of a bill of rights, notably lacking from the existing constitution, and indirect elections for the presidency, which would substantially increase the authority of the office.

All previous attempts to amend the constitution have been determined by referendums under a provision requiring support from a majority of voters in a majority of states. Only eight of 42 proposals have succeeded, suggesting widespread agreement on a republican amendment would be crucial to success.

But even a successful referendum proposition would be open to a High Court challenge by monarchists, who could seek to have it stuck down on the grounds that parts of the constitution cannot be amended by this mechanism. This is because the document known as the Australian constitution is technically the ninth section of the 1900 Commonwealth of Australia Constitution Act of UK parliament.

Mr Tony Blackshield, professor of law at Macquarie University, says most lawyers think the referendum procedure does apply to the first eight sections. But only the sometimes unpredictable High Court could determine this.

The alternative would be to use an obscure provision allowing federal parliament to pass any law that could have been made only by the UK parliament at the time of federation.

But this section has never been used because it requires simultaneous consent of all state legislatures - seen by Mr Greg Craven, reader in law at Melbourne University, as a "virtual impossibility". A further complication is that it is unclear whether an amendment of the federal constitution would abolish the states' links with the Queen, which derive from colonial constitutions which continued in force after federation.

This means a federal republic might have to co-exist with one or more monarchist states.

Mr Keating plans to appoint a committee of six eminent persons to consider these issues and prepare the ground for change. Optimistically, perhaps, he has set it a target of 2001, the centenary of federation, to complete the job.

Ministers to discuss EC free trade pact

By David Gardner in Brussels

EUROPEAN Community foreign ministers are today expected to agree to widen negotiations with Russia on setting up an EC-Russian free trade zone during the coming decade.

The principle of a free trade accord with Russia has been agreed by EC ambassadors, but there is still some argument over conditions, and about the financial and technical assistance needed to make a free trade zone possible.

Some member states, particularly the UK, want a stronger human rights clause in the agreement.

On the main free trade issue, it is still not clear whether the "evolutionary clause" sought by the Commission will be replaced by an agreement to open up EC markets only after Russia reaches a certain level of reform and development. "An evolutionary clause should be just that – filling it up until you've got a free trade zone – not deciding (on free trade) later," argues one ambassador from the liberal EC camp.

Equally, the "safeguard clause" against any surges of competitive Russian goods may be strengthened, and made conditional on Russia joining the General Agreement on Tariffs and Trade. The Commission had drafted a generous clause, to be invoked only "in the event of a serious injury, or threat of a serious injury, to domestic (EC) producers of like or direct competitive products."

The free trade zone prospect is also now likely to be on offer only to Russia.

HELPING HANDS: All smiles from Presidents Clinton and Yeltsin, pictured outside Vancouver's Museum of Anthropology which they visited on Saturday

Japanese come into line on aid

By Jurek Martin in Vancouver

LINGERING doubts about the extent of Japan's commitment to the multilateral Russian aid process have been resolved.

According to the White House spokesman, President Clinton spoke on Friday to Mr Kiichi Miyazawa, the Japanese prime minister. Mr Clinton then told President Yeltsin in their first round of talks that the US backed Japan's claim to the Kurile islands and that Mr Miyazawa has assured him of Japan's strong support for the Group of Seven and bilateral assistance.

This represents no shift in official policies. The US has always supported Japan's claim to the Kuriles, occupied by the Soviet Union at the end of the last World War, while Japan, its reservations about the efficacy of large-scale assistance to Russia notwithstanding, has never publicly threatened not to take part in the multinational effort.

But it has been important for Mr Clinton, both for his own domestic purposes and in his presentation to Mr Yeltsin, to demonstrate that the leading industrialised nations are willing to act in concert to help Russian economic reform.

Thus the US side in Vancouver emphasised that both Britain and Canada had on Friday announced increased bilateral contributions, with expectations that the rest of the G7 countries will have fallen into line by the time the foreign and finance ministers meet in Tokyo on April 14.

Mr Miyazawa's commitment, as conveyed to Mr Clinton, appears designed to satisfy US criticism about the extent of Japan's willingness to help bilaterally and, as current chairman of the G7, to ensure the success of the Tokyo session. The US is not pushing for early permanent Russian membership of the G7, which would have disconcerted Japan.

Mr Clinton mentioned, without disclosing details, that other countries outside the G7 would be approached. His officials have implied earlier that Middle Eastern nations, most obviously Saudi Arabia, would be asked to come forward.

On the domestic political side, the spokesman also announced that Congressmen Richard Gephardt and Robert Michel, Democratic and Republican leaders in the House of Representatives, would go to Moscow this week for their own look at the state of Russian reform.

Even though the US bilateral assistance proposals are supposed to include no "new money", the congressional debate about an appropriate US response is gathering steam. Also the Russian side has raised one issue, in particular, which falls within congressional competence – its discontent with the 20-year-old Jackson-Vanik amendment that explicitly linked US trade and aid to emigration policies, especially as they affect Jews.

Russia, claiming emigration has been liberalised, would like Mr Clinton to seek a permanent waiver from the amendment, which has been automatically renewed every year. US officials said there were still "some problems" with the status of a few former political dissidents.

The amendment was not the only "irritant," as the US spokesman called it, raised by Mr Yeltsin. He also complained about the continuing Cocom restrictions on technology trade with the former Soviet bloc and a recent collision between US and Russian submarines, for which incident Mr Clinton expressed regret.

West's backing for Yeltsin a big gamble

By John Lloyd in Vancouver

THE Clinton-Yeltsin summit cannot be a success on its own. It is the formal centrepiece of a process of organising aid for Russian reform: a process which should see clear decisions made on assistance by the foreign and finance ministers of the Group of Seven countries in Tokyo in ten days' time, but which cannot be consummated without a political victory for Russia's reformers.

President Yeltsin came to Vancouver having committed himself to taking part in an April 25 popular vote which he initially called on questions of trust in his presidency and approval of a draft constitution. Just before the summit, he agreed instead to a referendum under the control of his opponents in the parliament.

In this poll the question of trust remains, but is supplemented by questions on social and economic reform and on elections of the president and the parliament. Further, these questions must win a majority of more than 50 per cent of the electorate – a high qualifying margin which may render the exercise inconclusive – as intended by parliament.

Yet from this vote – if it goes ahead – Mr Yeltsin must claim enough of a political victory to allow him to dominate parliament and to protect reform. Only if this is possible can foreign aid be applied. President Bill Clinton and other western leaders are thus right to say they are betting heavily on Mr Yeltsin.

But if he does pull it off, says one senior western official, "stabilisation of the economy is closer than it has ever been".

The government has a plan, drawn up by Mr Boris Fyodorov, who was at the Vancouver talks, and as deputy prime minister in charge of finance and the economy is the shaper and controller of economic change.

He has told western governments he will need, in the coming year, $20bn for stabilisation of the rouble, support of the budget and restructuring of industry. He may not get it all. But he should get at least half, and with that he can start his transformation.

The western countries are likely to change the way aid is provided. They will bypass the International Monetary Fund, for over a year the west's arbiter of Russian reform and disburser of aid. The IMF will continue to judge the performance of the government and to work with it to set targets. But the leaders of the G7 now appear determined to take the disbursement of aid into their own hands.

It should mean that, rather than aid being held out as a reward for good behaviour, it would be given in order to promote good behaviour. Rather than demand a budget deficit of 5 per cent of gross national product, for example, as the IMF has done over the past year, funds would be provided to support the budget which would make such a target realistic.

Mr Brian Mulroney, the Canadian prime minister, made the new relationship between the IMF and its chief paymasters clear in Vancouver when he said that "after all, the leading industrial countries are the majority of the shareholders of the IMF" – a sign that the Fund will be subordinate to the perceived necessity of helping a reform process which cannot conform to the Fund's guidelines.

Thus, in two weeks, the G7 should have completed their side of the bargain. They will have offered Russia a substantial package of support which would allow its government to make the critical moves to bring inflation under control and to make the rouble convertible on current account.

However, there remains a doubt that Russia's politics will stabilise sufficiently to support the policies on which the provision of aid is predicated. While Mr Yeltsin enjoyed the hospitality of Vancouver, his opponents – and even his allies – in Russia were undermining his position. Mr Ruslan Khasbulatov, the parliamentary speaker, denounced the west for taking sides in the struggle between parliament and president. Mr Valery Zorkin, the head of the constitutional court, called Mr Yeltsin's participation in the summit a waste of time.

And Mr Victor Chernomyrdin, the prime minister who had last week said that Mr Yeltsin's support of the government was indispensable to reforms, launched a savage attack on his own deputy prime minister in charge of privatisation, Mr Anatoly Chubais, for conducting a programme reminiscent of the Stalinist collectivisation of the peasant farms in the 1920s and 1930s. Though Mr Chernomyrdin and the other corporatists in the cabinet have accepted that stabilisation is essential, they are not reconciled to privatisation.

"Our interests lie with Russian reforms and with Russian reformers led by Boris Yeltsin," Mr Clinton has said. Now Mr Yeltsin, after the unequivocal support delivered in Vancouver this weekend, must show that he really does lead, and that the reformers are still in a position to be led.

Fund for small business proposed

By Robert Peston, Banking Editor

MR Jacques Attali, president of the European Bank of Reconstruction and Development, is trying to persuade G7 countries to provide $500m to help start small businesses in Russia.

The EBRD is concerned at growing unemployment in Russia, and the small business sector is undeveloped, following decades of centralised economic control. To date the EBRD, set up to help develop the private sector in former Soviet bloc states, has provided only tiny amounts for investment in small and medium sized enterprises.

Investing in small business carries greater risks than EBRD's national shareholders want the bank to take. Mr Attali therefore wants a new pool of money, which could invest in these riskier enterprises.

A second obstacle to investing in the small business sector is the lack of an effective network for distributing small amounts of capital, because the Russian banking system is so antiquated. Mr Pierre Pissaloux, EBRD's director of the cabinet and of corporate planning and the budget, said young westerners would be sent all over Russia to assess local entrepreneurs wanting funds. These westerners would train Russians to become venture capitalists, so that eventually the Russians could disburse funds themselves.

'President Yeltsin does not have supporters. He has hostages'

By Leyla Boulton in Moscow

LIKE the western leaders backing President Yeltsin and his reforms, many Russians feel that there is little choice but to support him for fear of the alternatives.

As Mr Mikhail Leontiev, a leading Russian economics commentator, observes wryly: "Yeltsin does not have supporters but hostages. He puts one in a situation where one has no choice but to support him."

The question now is whether new western help spearheaded yesterday by President Clinton and to be pursued by the Group of Seven in Tokyo can boost support for Mr Yeltsin in an April 25 referendum. The answer is that it probably cannot hurt.

Most people interviewed yesterday at Moscow's Kiev railway station, around the street stalls and kiosks which are the most visible consequence of market reforms so far, welcomed western assistance, if it was made more effective.

"Humanitarian aid only ends up in these kiosks where the hoods in leather coats make money out of it," claimed Mrs Liudmila Konstantinova, a retired engineer on a pension of Rbs8,500 a month. But she added that Mr Yeltsin still needed some sort of help "because he's not managing on his own".

"Help is always good. The question is how to use it. We need investment in specific regions and businesses," said Mr Albert Koplinsky, a factory worker.

Mr Yuri Feldman, who has a computer programming business, suggested that the west send managers to Russian enterprises "to teach us how to work properly".

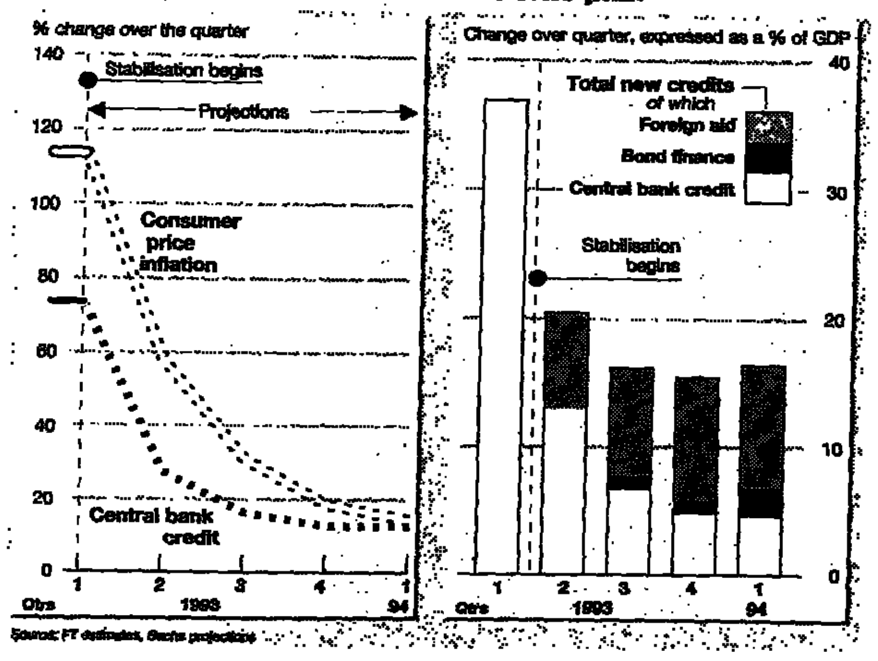
Natasha, an atomic engineering student from Obninsk, had mixed feelings about aid but would vote for the president. "On the one hand, if we could have avoided getting into this mess, we would not need help. But since people don't want to work hard, we are finding it difficult to get out of this ourselves."

A minority were resolutely opposed to western help. Expressing indignation about the rubbish and dirt surrounding the street sellers, Galina, an accountant, said she had lost faith in Mr Yeltsin. "Before going to a market economy, we should have prepared for it. I feel terrible that we are now so poor we need help."

Another woman said: "The only kind of help we need is our own. We've got to force people to work hard and put all the goods which are now on the streets into the (state) shops."

But Nikolai, standing behind a table laden with plugs, screwdrivers, and electrical wire, expressed full support for Mr Yeltsin. "If the Communists come back, they won't even let us breathe. I supply things that people need, more cheaply than in the shops. What's wrong with that?"

Stabilising Russian inflation: the Sachs plan



Source: FT estimates, Sachs projections

G7 aid a condition for Russian reform, not a reward

RUSSIAN President Boris Yeltsin should savour the reception he received from US administration official at this weekend's Vancouver summit. He can expect a more sceptical welcome from some other members of the Group of Seven industrial countries, in whose collective name any multilateral aid package is likely to be provided. The economic arguments may be on the side of Mr Yeltsin. But he will have a tough time persuading deficit-burdened G7 countries that up-front aid makes good political sense.

Western worries over the sagacity of committing aid to the Russian reform programme are understandable. Moscow politics remain unpredictable, while Mr Yeltsin's grip on power appears tenuous. Russian inflation is also accelerating fast, nearing 30 per cent a month over the last quarter. Inevitably, sensible investors are desperate to sell roubles for western dollars in order to salt their savings away in Swiss bank accounts.

Yet none of these concerns weakens the case for aid. Indeed, the pace at which the Russian economy is approaching hyperinflation, and the scale on which capital is fleeing the country, make it all the more important that the G7 takes the plunge. For capital flight is only a symptom of the underlying economic malaise. It is the threat of hyperinflation, and the potential political disintegration that could follow, that make capital flight the only sensible strategy for would-be investors.

Only by bringing the credit creation under control can the Russian government reduce inflation and stabilise the slide in the value of the rouble. That means stemming the flow of bank credits to indebted state enterprises, while bringing remaining subsidies within the government's budget. Central bank credits are currently growing by 20 per cent a month, over 70 per cent a quarter, of which more than half go to state enterprises.

But the Russians cannot control inflation on their own, a point made repeatedly both by the Russian government and by enlightened external observers such as Mr Stanley Fischer, professor of economics at the Massachusetts Institute of Technology and previously chief economist at the World Bank. Western aid, they argue, is needed to provide a non-inflationary way of bridging the gap in the government budget that central bank credits now fill.

But how much aid is needed? About $2bn in the second quarter of this year rising to $4.5bn a quarter by the beginning of 1994, according to a stabilisation plan devised by Mr Jeffrey Sachs, a Harvard economics professor and adviser to the Russian government. The plan is designed to reduce the quarterly rate of inflation from over 100 per cent today to 14 per cent in the first quarter of 1994. Meeting these inflation targets requires the rate of growth of central bank credit to fall to a fifth of its current level. Total credit creation continues to grow each quarter by a little over 15 per cent of gross domestic product, of which the share of central bank credit is to fall from 100 per cent today to a quarter by the end of the year, with western aid filling most of the gap.

And when should aid commence? Standard IMF practice is to wait for a country to establish an anti-inflationary track record before supplying aid. But the Russian government argues that the urgency of their plight, and their financing difficulties, require up-front aid in order to allow the programme to begin. Mr Fischer agrees. "The west rightly fears that economic assistance would simply be wasted," he says. "But without western financial assistance, the Russians will not be able to balance the budget and bring inflation down to a level that will allow other reforms to proceed."

Western aid, both Fischer and Sachs argue, should flow as soon as deputy prime minister Boris Fyodorov is in charge of credit creation and starts implementing stabilisation measures. Of course, the reformers may fail even with aid. But their chance of success depends critically on whether they can convince reluctant G7 governments to take the risk.

Edward Balls

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	US Narrow Money (M1)	US Broad Money (M2)	US Short Interest Rate	US Long Interest Rate	US Equity Market Yield	Japan Narrow Money (M1)	Japan Broad Money (M2+CDs)	Japan Short Interest Rate	Japan Long Interest Rate	Japan Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.82	6.51	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55
1988	4.3	5.2	7.65	8.84	3.61	8.4	11.2	4.43	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.60	2.6	11.7	7.62	6.91	0.65
1991	5.9	3.3	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75
1992	12.4	2.0	3.75	7.00	2.95	4.5	0.6	4.28	5.25	1.00
2nd qtr.1992	11.7	1.7	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04
3rd qtr.1992	12.6	1.6	3.35	6.61	2.96	3.2	-0.0	3.90	5.10	1.08
4th qtr.1992	14.3	1.8	3.55	6.73	2.94	2.0	-0.5	3.67	4.78	1.03
1st qtr.1993			3.20	6.26	2.81			3.29	4.34	1.00
April 1992	11.9	2.0	4.04	7.47	2.97	7.0	1.6	4.59	5.68	1.06
May	12.1	1.8	3.88	7.39	2.95	6.9	1.1	4.59	5.66	1.00
June	11.1	1.3	3.92	7.26	3.00	3.2	0.9	4.49	5.55	1.06
July	11.8	1.4	3.44	6.84	2.96	2.9	0.2	4.19	5.28	1.10
August	12.4	1.6	3.37	6.59	2.95	3.7	0.3	3.75	5.03	1.12
September	13.5	1.8	3.24	6.41	2.98	2.9	-0.5	3.74	4.99	0.98
October	14.4	2.0	3.32	6.58	3.02	2.5	-0.6	3.71	4.90	1.04
November	14.4	1.8	3.66	6.86	2.94	1.6	-0.6	3.65	4.76	1.05
December	14.2	1.5	3.67	6.75	2.87	1.9	-0.4	3.64	4.70	1.00
January 1993	13.4	1.1	3.26	6.59	2.87	2.4	-0.3	3.59	4.55	1.03
February	11.5	0.2	3.18	6.26	2.80	2.4	0.2	3.15	4.31	1.01
March			3.17	5.97	2.76			3.13	4.19	0.97

	Germany Narrow Money (M1)	Germany Broad Money (M3)	Germany Short Interest Rate	Germany Long Interest Rate	Germany Equity Market Yield	France Narrow Money (M1)	France Broad Money (M3)	France Short Interest Rate	France Long Interest Rate	France Equity Market Yield
1985	4.3	5.1	5.45	6.94	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	10.0	8.3	4.64	5.90	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	9.9	8.26	9.46	2.75
1988	9.7	6.4	4.34	6.46	2.61	3.9	8.4	7.94	9.08	3.69
1989	6.3	5.8	7.11	6.94	2.22	8.1	9.6	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.6	9.0	10.32	9.92	3.19
1991	5.1	5.6	9.25	8.44	2.38	-4.7	2.7	9.62	9.03	3.58
1992	7.1	8.2	9.52	7.77	2.45	0.9	5.4	10.38	8.57	3.55
2nd qtr.1992	6.4	7.9	9.76	7.96	2.26	-1.8	4.9	10.04	8.66	3.39
3rd qtr.1992	6.6	8.8	9.72	7.88	2.53	-0.3	4.8	10.58	8.90	3.67
4th qtr.1992	10.7	9.6	8.98	7.34	2.67	0.9	5.4	10.77	8.26	3.72
1st qtr.1993			8.31	6.87	2.42			11.83	7.66	3.38
April 1992	6.9	7.6	9.75	7.94	2.28	-1.4	4.5	10.04	8.67	3.37
May	5.8	7.8	9.79	7.96	2.26	1.7	5.7	9.98	8.56	3.33
June	6.6	8.2	9.75	7.97	2.27	-1.8	4.9	10.11	8.73	3.47
July	5.5	8.4	9.78	8.01	2.37	-0.5	5.1	10.23	8.90	3.69
August	6.1	8.7	9.88	7.99	2.60	-1.2	5.0	10.39	9.06	3.71
September	8.3	9.3	9.50	7.65	2.82	-0.3	4.8	11.12	8.75	3.61
October	8.5	10.4	8.95	7.38	2.72	1.5	6.0	11.12	8.43	3.83
November	11.2	9.7	8.94	7.36	2.88	-0.0	5.8	9.77	8.14	3.70
December	12.5	8.7	9.03	7.29	2.84	0.9	5.4	11.35	8.20	3.64
January 1993	9.5	7.7	8.60	7.10	2.56	1.2	5.2	12.16	7.83	3.58
February	9.2	7.3	8.39	6.94	2.43			12.12	7.76	3.40
March			7.98	6.59	2.67			11.27	7.33	3.19

	Italy Narrow Money (M1)	Italy Broad Money (M2)	Italy Short Interest Rate	Italy Long Interest Rate	Italy Equity Market Yield	UK Narrow Money (M0)	UK Broad Money (M4)	UK Short Interest Rate	UK Long Interest Rate	UK Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.09	n.a.
1986	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.8	6.9	11.24	10.54	2.71	6.6	17.0	10.41	9.69	4.48
1989	7.1	8.2	12.41	11.61	2.46	5.9	17.5	13.96	10.30	4.36
1990	9.3	9.1	11.98	11.87	2.64	5.3	16.1	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	6.2	11.58	10.04	4.97
1992	6.8	7.5	13.86	13.29	3.63	2.3	5.3	9.73	9.09	4.91
2nd qtr.1992	9.7	9.3	12.58	12.82	3.43	2.2	5.3	10.28	9.21	4.78
3rd qtr.1992	6.0	6.9	16.14	13.83	4.02	2.4	5.3	10.39	9.21	5.21
4th qtr.1992	3.1	5.9	14.84	13.84	3.68	2.7	4.5	7.68	8.45	4.84
1st qtr.1993			11.88	13.13	3.04			6.49	7.97	4.35
1992 April	9.8	9.3	12.24	12.71	3.51	2.4	5.6	10.68	9.41	4.91
May	9.4	9.0	12.24	12.60	3.45	2.7	5.1	10.13	9.06	4.61
June	10.0	9.6	13.23	13.14	3.34	1.5	5.3	10.03	9.15	4.82
July	7.5	8.0	15.38	13.65	3.78	2.6	5.7	10.21	9.08	5.15
August	5.4	6.5	15.27	13.71	3.94	2.5	5.5	10.43	9.37	5.33
September	5.1	6.1	17.82	14.14	4.35	2.2	4.8	10.54	9.19	5.14
October	5.6	7.4	15.53	14.36	3.95	2.4	5.4	8.49	8.69	4.83
November	2.6	5.9	14.53	13.48	3.48	3.0	4.4	7.32	8.27	4.60
December	1.1	4.5	13.90	13.66	3.61	2.8	3.7	7.24	8.38	4.49
1993 January	2.2	5.5	12.73	13.46	3.28	3.9	3.2	7.04	8.33	4.46
February	3.2	6.5	11.51	13.03	3.01	4.5	3.3	6.23	7.97	4.36
March			11.41	12.92	2.86			6.04	7.65	4.24

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

British Coal set to report big fall in overall profits

Losses possible in spite of increased efficiency and improvements in operating results

By Michael Smith

BRITISH COAL is expected to report substantially lower overall profits – and may sustain losses – for the year just ended in spite of increased efficiency and significant improvements in operating results.

The reduction will result from exceptional losses arising from write-offs due to coal price falls and from from delays in pit closures.

However, in the run-up to privatisation, expected in the next two years, the government will be able to point to a significant rise in British Coal's operating profits from £360m in 1991-2.

Ministers will argue, and British Coal's potential buyers are likely to accept, that operating profits are the best gauge for judging British Coal's potential performance.

The steep fall in overall profits from £170m in 1991-2 will be the first worsening in the corporation's overall financial performance in three years. It will irk the corporation to report the fall in a year when productivity has risen 20 per cent. However, the government is braced for a sharp fall in overall profitability as a result of two exceptional items.

The first results from having to keep open 10 pits which are no longer being mined but which British Coal has been forced to maintain because of a High Court decision that it failed to consult properly on their future. It intends either to close them or license them to the private sector. In the meantime the cost of keeping the pits in a state where they could be mined again is about £13m a month.

Since British Coal stopped mining at most of the 10 in November the effect on the results for the year ending March 28 is likely to be at least £60m.

Future years could result in similar exceptional, though less substantial, items because of British Coal's intention to mothball six pits at a cost of between £2m and £4m a pit a year.

The accounts for last year, due to be published in July, are also likely to be adversely affected by fall in the price of coal. British Coal executives are working on proposals to write down the corporation's assets on the grounds that the falling price of coal means stocks and machinery are no longer as valuable. The write-offs could amount to more than £100m.

The corporation undertook a similar adjustment to the balance sheet three years ago when prices charged to the generators last fell steeply.

The write-offs for 1992-3 are likely to reflect all price falls in the next five years, and so are unlikely to be repeated.

Transfer of services to private sector faces further hurdle

By David Goodhart, Labour Editor

THE PROGRAMME of market testing public services faces another serious setback following a ruling from the attorney general (chief law officer) that contractors will have to provide "broadly comparable" pension rights in many cases where staff are transferred from the public sector.

Under Transfer of Undertakings (Tupe) regulations, which apply to many contracts, companies are obliged to retain the existing workforce on the same terms and conditions. But most companies had assumed, encouraged by the government, that big savings could be made in pension payments.

Many contractors have only been able to take over profitably services in the National Health Service, local government and the Civil Service (run by central government officials), by offering less generous pension arrangements than the typically index-linked public sector pension.

But Sir Nicholas Lyell, attorney general, has upheld advice from his department on Tupe, ignored in the granting of most previous contracts, that contractors should provide comparable pension rights when they take over staff from government departments.

Mrs Gillian Shephard, employment secretary, had suggested that departments should avoid giving such guidance on Tupe, a suggestion rebuffed by Sir Nicholas.

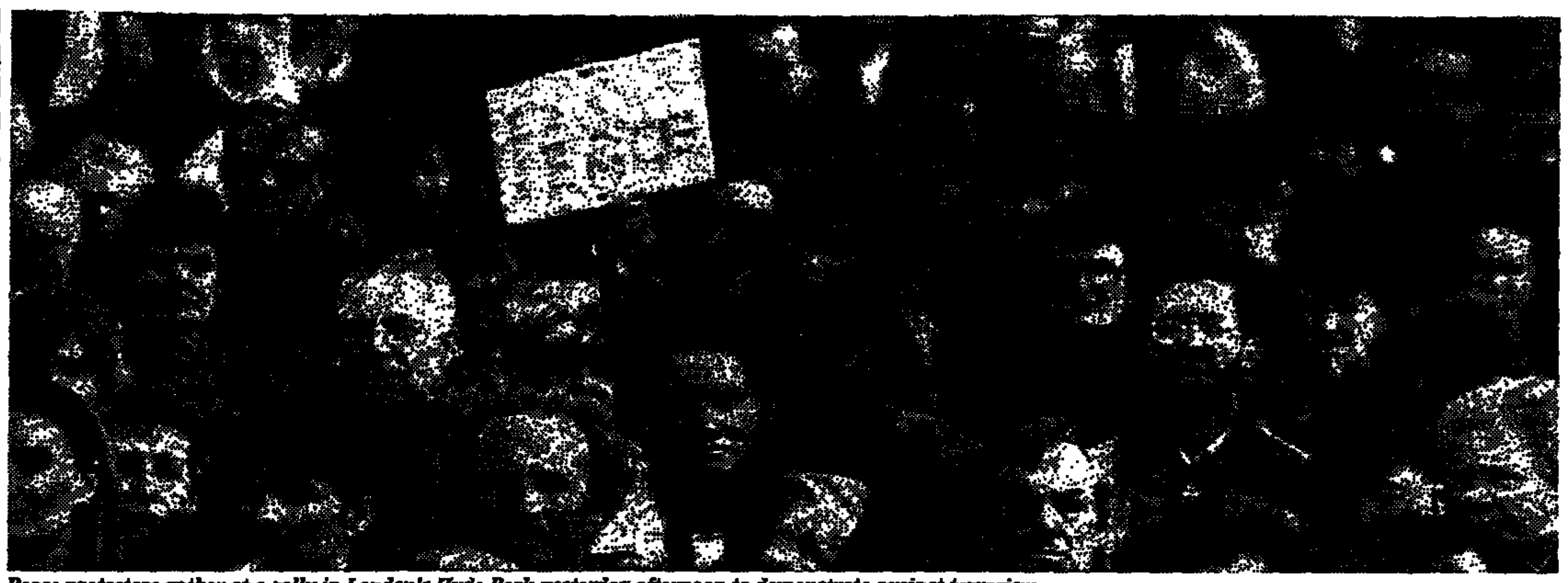
His insistence on the law officers' view follows recent guidance from Mr William Waldegrave, civil service minister, that occupational pensions were not affected by the regulations, a view echoed by the Department of Health.

Sir Nicholas's ruling was greeted with dismay by some contractors, though others said the definition of "comparable" might provide some room for less generous benefits.

Mr Simon Cox, managing director of ISS Mediclean, which has 80 cleaning contracts with the NHS, said: "This is the crunch. It is just about possible to cope with the other aspects of Tupe and run a profitable business. But if we have to provide fully-funded, index-linked, pensions, it becomes impossible."

Some contractors, who have taken over about 265,000 public service jobs since 1979, pay no pensions at all. A trade union official said the government could face a "deluge" of retrospective claims from people who had had to accept reductions in pension provision.

Mr Padraig Flynn, the EC's social affairs commissioner, has separately confirmed that Sir Nicholas's ruling is correct by stating in a letter to Mr Lyndon Harris, the Labour MEP, that the Acquired Rights Directive, on which Tupe is based, does extend protection to occupational pensions.



Peace protestors gather at a rally in London's Hyde Park yesterday afternoon to demonstrate against terrorism

Thousands attend London and Ulster peace rallies

THOUSANDS of people demonstrated for peace in Ulster at rallies in Northern Ireland and London yesterday. The rallies came hours after one Britain's most wanted IRA suspects, Nessan Quinlivan, was seized by a specialist anti-terror police unit in southern Ireland, writes Charles Batchlor.

Peace activist Mrs Susan Hugh took part in peace rallies in Belfast and at London's Hyde Park, each attended by about 2,000 people, and called for an end to the shooting and bombing. Mrs Hugh was at the centre of a 10,000 strong demonstration in Dublin a week ago following the death of two children in the Warrington bomb blast on the British mainland.

She said: "I ask the terrorists to look at their own children and stop. The movement for peace throughout Ireland and Great Britain is growing."

Smaller peace rallies took place across Northern Ireland though up to 2,000 nationalists marched through West Belfast to protest against alleged security force violence.

Meanwhile moves to extradite Mr Quinlivan, 29, are expected to begin today.

Mr Quinlivan was detained at a lonely farmhouse in Tipperary yesterday morning, two years after escaping from Brixton Prison in south London where he and another IRA suspect were being held on conspiracy charges.

Delays hit loan scheme targeted at recession

By Ian Hamilton Fazey, Northern Correspondent

BANKS ARE saying that the revamped small business loan guarantee scheme, announced in the budget last month as one of the measures to speed recovery from recession, will not be ready until October.

In addition, the scheme's new £250,000 ceiling will not be universally available. It will apply only to existing businesses – start-ups will be limited to the scheme's old ceiling of £100,000.

The scheme enables small businesses to raise bank loans when security is not available. Under the existing scheme, the government guarantees up to 70 per cent of a loan and the borrower pays a 2½ percentage point premium on the interest rate.

Mr Norman Lamont, chancellor, announced that the level of eligible loan would rise £150,000 to £250,000, with the maximum guaranteed portion rising to 85 per cent. The premium will be cut to 1½ per cent for variable rate loans and a ½ per cent for fixed rate ones.

About 20 lenders including the large clearing banks, many smaller banks and small business advisory and finance bodies, currently take part in the scheme.

The delay in the start-up of the new scheme has been greeted with surprise and dismay among corporate finance advisers.

Mr Peter Folkman, head of North of England Ventures, a venture capital fund backed by Schroders, says banks have been telling applicants they will have to wait until October.

"We are not so pessimistic as to think it will be October," the Department of Trade Industry said. "We think it will be brought in sooner than that, but we cannot be certain when at this stage. It takes time to make the arrangements with the banks."

But Mr Ian Templeton, senior partner of the Manchester office of Stoy Hayward, the accountancy firm, said DTI officials in Sheffield had told him the scheme would start in October.

North of England Ventures hoped that the scheme would enable Panel Signs, a Nottingham management buy-out in which it has £550,000 invested as equity for a 60 per cent stake to trade its way out of trouble.

It now says the company will almost certainly close this month, with 60 jobs lost, because it cannot bridge the gap to the new scheme's introduction.

The company makes illuminated signs for businesses such as supermarkets and filling stations.

Britain in brief

Lilley hints at move on pension age

Mr Peter Lilley, social security secretary, yesterday reinforced expectations that the government will move to equalise the state pension age for both men and women at 65.

Quoting the costs of equalising at 60, he emphasised that other countries were moving to higher pension ages, with Scandinavian countries and the US on the way to setting the retirement age at 67.

Mr Lilley said on BBC TV that reducing the state pension age for men to 60 would cost an extra £4bn, while raising it to 65 would save about £4bn. Legislation is unlikely until the 1994-95 parliamentary session.

German-style boards urged

The concept of the European-style company, with a two-tier board, is being canvassed by the Labour opposition in a drive to bring more "long-termism" into British industry.

Labour sees some merits in the German model, in which a firm's governance is split between a supervisory board responsible for monitoring management and setting policy, and an executive board dealing with the management of the policy.

Decline in buy-out activity

Management buy-out activity fell to a two-year low in the first quarter of 1993 with just seven large deals worth a total of £390m being completed, according to accountants KPMG Peat Marwick.

The largest deal completed in the first 1993 quarter was that of McDonnell Douglas Information Systems, valued at about £200m. Others included Colas, a road services and building materials company, from Shell for £72m; Ashbourne Homes for £53m and British International Helicopters for £33m. In roughly equal measure the buy-outs involved purchases from receivers, corporate restructurings and disposals of non-core activities.

Interference threat outlined

People wearing hearing aids or listening to personal stereo players risk exposure to noise beyond the human pain threshold when the latest generation of portable telephones makes its debut later this year.

The warning, from the European Hearing Instrument Manufacturers Association, is backed up by research carried out by the company Jydsk Telefon at its laboratories in Tranbjerg, Denmark. The laboratory is one of two Danish laboratories qualified to testing for "electromagnetic compatibility" or radio interference.

The laboratories studies showed that the sound level generated in a hearing aid at a distance of 1.5m from a cellular telephone handset was 130 decibels – equivalent to standing behind the engines of a jet aircraft. The studies, reported in today's issue of *Microwave Engineering*, showed that the telephone could interfere with other electronic apparatus at distances of up to 90m. Television remote controls could be affected, for example, causing channels to switch unexpectedly.

BA cuts fares

British Airways is cutting the cost of business class fares to Paris, Amsterdam and Helsinki from today in response to price competition from other airlines. Club Europe passengers will save up to £84 on a return flight to Paris and about £50 on return flights to Amsterdam and Helsinki.

Mixed report for private jail

Wolds, Britain's first privately-managed prison for nearly 200 years, combines successful features with causes for concern, a Prison Reform Trust report says today.

The trust says available evidence about Wolds, opened on Humberside a year ago to accommodate remand prisoners, "contradicts both the view of the apologists for privatisation and the wilder claims of the prison's critics."

It says the prison, managed under a Home Office contract by Group 4 Remand Services, offers prisoners up to 14 hours a day out of their cells and better entitlement to visits than comparable prisons. But the level of disturbances was worse than national averages and the trust understood drug problems at the prison were "alarming and getting worse."

THE WEEK AHEAD

ECONOMICS

Further signs of German slowdown expected

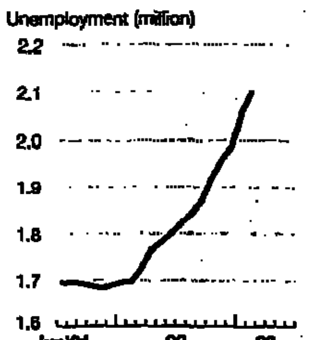
NEW indications about the extent of economic decline in Germany may arrive later this week with the latest unemployment figures for the western part of the country.

The market expectation is that unemployment will jump by around 45,000, in a further sign of the slowdown in activity which has alarmed much of Europe, though awakened hopes that the Bundesbank *may* be moved soon to make further cuts in interest rates.

Elsewhere, in a thin week for economic data ahead of the Easter holidays, attention will focus on the figures due to be announced today in the UK for new credit business by consumers in February. With the markets looking for further signs that economic activity in Britain may be turning up slightly, the central prediction is for credit to have increased by a reasonably robust £100m.

However an important caveat is that much of this *extra borrowing may* conceivably be due to consumers taking on more credit in order to pay off old debts, in a reminder that Britain may still have some way to go before it shrugs off the torpor of recession.

Germany*



*Western Germany only
Source: Datastream

In the US, a smattering of data about home completions, car sales and consumer credit may provide something of a guide as to the degree to which the North American economy is on the rebound.

For aficionados of economic data, some interest may be provoked by the unveiling today of the latest cyclical indicators from the Central Statistical Office which attempt to shed light on whether the economy may be picking up.

With the CSO investigating the indicators to see whether *they could be improved* to show a better correlation with measured economic activity, fans of the current generation of indicators will be eager to see how well they are performing in monitoring a possible upturn.

Highlights of the week are as *follows. In brackets are the* median market expectations for the numbers concerned, according to data provided by the MMS business information company.

Today: Luxembourg, EC foreign ministers discuss co-operation with Russia. Australia, February retail trade (down 0.5 per cent on month). UK, latest cyclical indicators, consumer credit in February (up £100m), M0 growth in year to March, M0 growth between February and March. US, February home completions, car and truck sales between March 21 and 31.

Tomorrow: Switzerland, March consumer prices index (up 0.7 per cent on month, 3.8 per cent on year). US, February wholesale trade. Canada, January labour income (up 0.3 per cent on month seasonally adjusted).

Wednesday: Germany, March unemployment and employment on a seasonally adjusted basis and in western part of country only (up 45,000 and down 75,000, on month); March vacancies in western Germany (down 5,000), short time working in eastern Germany (*increase of 18,000*), unemployment in eastern Germany (down 20,000, not allowing for seasonal changes). US, February consumer credit.

Thursday: Australia, March unemployment rate (11.1 per cent). US, March producer prices index (up 0.3 per cent on month for both the unadulterated index and for the index minus the effects of food and energy prices), initial claims for week ending April 3 (360,000), state benefits for week ending March 27, 1992 capital spending, money supply data for seek ending March 29. Canada, March unemployment (10.9 per cent), February vehicle sales (down 9.4 per cent on month), March housing starts (160,000).

Friday: Many markets closed – Good Friday. US, March consumer prices index (up 0.3 per cent on month for both the unadulterated index and for the index minus the effects of food and energy prices), March real earnings.

During week: Germany, February manufacturing orders (down 2 per cent on month). Italy, February hourly wages. ment

Peter Marsh

RESULTS DUE

TESCO, the UK's second-largest grocery retailer, will be hoping to reassure the City with a healthy rise in full-year profits tomorrow. Its shares have been under pressure amid fears that its sales growth is lagging behind that of rivals J Sainsbury and Argyll, owners of Safeway. Most forecasts are clustered around £580m, compared with £545m last year, although some go up to £585m.

Full year figures today for 1992 *from* MB-Caradon, the building products and security printing group, are expected to be in the region of £120m to £125m, against £106.4m in 1991. Lower interest charges, and a solid performance from the managed businesses are behind the expected rise. Interest will focus on how the group will reinvest the £473m proceeds of the sale of its 25.3 per cent stake in *CarnaudMetalbox*, announced last Friday.

TIP Europe, the trailer rental *company*, is expected to announce disappointing interim results tomorrow. The company's Mobiel subsidiary, which supplies *temporary* buildings in continental Europe, is understood to have run into bad management and planning problems.

Analysts have *downgraded* forecast full year forecasts from £8.8m to £6m, while interim profits are likely to be about £2.4m from £3m last time. The dividend is also in danger of being cut again.

Sun Alliance Group, the composite insurer, is expected on Thursday to report *a loss* for 1992 of around £150m, a recovery from a loss of £466m a year-earlier. It is likely to maintain the dividend, though.

Mirror Group Newspapers, *buffeted* by board room upheavals including the recent departure *of Lord* Hollick, is forecast to produce today pre-tax profits of between £27m and £33m (£47.3m) for 1992.

First-half pre-tax profits today *from* Highland Distilleries, maker of Famous Grouse, will be boosted by the company's decision to equity account its 35.4 per cent stake in Robertson & Baxter, the whisky blender. Analysts expect the underlying pre-tax figure, however, to reflect pressures on volume sales and prices of new and mature whisky. Forecasts suggest the *outcome* will be between £13.5m and £14m, 5 to 8 per cent below *last year's* £14.7m.

UK COMPANIES

■ *TODAY*
COMPANY MEETINGS:
TR Pacific Inv. Trust, 3 Finsbury Avenue, E.C., 2.30
Willoughby's Cons., The London Metropole Hotel, Edgware Road, W., 11.00
BOARD MEETINGS:
Finals:
Baillie Gifford Tech.
Densitron Intl.
Dinkie Heel
Dolphin Packaging
Home Counties News.
Intl. Food Machinery
Lamont
London & Manchester
MB-Caradon
Mirror Group Newspapers
Morgan Crucible
North British Can. Inv.
Roskel
Scottish TV
Thompson Clive Inv. Tst.
T & S Stores
Interims:
Highland Distilleries
Wescol

■ **TOMORROW**
COMPANY MEETINGS:
BICC, Centre Point, 103 New Oxford Street, W.C., 12.00
Foreign & Colonial Enterprise Trust, Exchange House, Primrose Street, E.C., 12.15.
Trans World Comms., The Holiday Inn, Crowne Plaza, Peter Street, Manchester, 11.00
BOARD MEETINGS:
Finals:
Aran Energy
Bletchley Motor
City Centre Restaurants
Epwin
FBD
Frost
Independent Newspapers
Ipeco
Metsec
Scottish Heritable Tst.
Tesco
Torday & Carlisle
United Friendly
Wilkes (James)
Interims:
Manchester United
TIP Europe

■ **WEDNESDAY**
APRIL 7
COMPANY MEETINGS:
Cowie (T.), The Savoy, Strand, W.C., 12.00
F & C Inv. Trust, Merchant Taylors' Hall, 30 Threadneedle Street, E.C., 12.00
Gowett, Grand Hotel, Esplanade, St. Helier, Jersey, Channel Islands, 10.00
Lloyds Bank, 71 Lombard Street, E.C., 2.30
McAlpine (Alfred), The Chester Hotel, Trinity Street, *Chester, 12.15*
Persimmon, The Royal York *Hotel, Station Road, 12.00*
Porvair, The Waterman's Hall, 18 St. Mary at Hill, E.C., 12.00
BOARD MEETINGS:
Finals:
Brammer
Dagenham Motors
Dewhirst
Drayton Korea Tst
Hunting
Merlin Intl.
OIS Intl. Inspection
Queens Moat Houses
Savoy Hotel
Second Market Inv.
Sherwood Group
Stylo
Wilson (Connolly)
Interims:
Black & Edgington
Wardle Storeys

■ ***THURSDAY***
APRIL 8
COMPANY MEETINGS:
Metal Bulletin, Stationers' Hall, Ave Maria Lane, Ludgate Hill, E.C., 12.00
Ramsden's (Harry), Harry *Ramsden's Restaurant,* White Cross, Guiseley, 11.00
BOARD MEETINGS:
Finals:
Beckman (A)
Bilton
Carlisle
Chepstow Racecourse
Foreign & Col. Pacific
Magnolia
Sentry Farming
Sun Alliance
Interim:
Dowding & Mills

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not *normally* available until approximately six weeks *after the board* meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abtrust Pfd Inc Inv 2.90625
Annuities 2½% £0.625
Do. 2¾% £0.6875
Ash & Lacy 3.9p
Baring Trubune Inv 4.75p
Blick 6.2p
Bradford Prop Tst 10½% Prf *5.25p*
Brake Bros. 4.35p
Brunner Inv. Tst. 2.65p
Capital Radio 1.75p
Cleveland Place 3¾% Irred Db £1.875
Do. 4¼% Irred Db £2.125
Colefax & Fowler 0.5p
Community Hospitals 2.4p
Edinburgh Inv 5¾% Db 1998 £2.875
EFM Inc. Tst. 1.2p
El Oro Mining & Expln 24p
E-Systems $0.275
Exploration 12p
Galliford 0.5p
Grampian Hldgs. 3.8p
Halifax Bldg. Soc. 9⅝% Nts. 1995 $93.75
Jove Inv. Tst. 2.8p
Laird 6.3p
Malvern UK Index Tst 2.07p
Matthew Clark 6.75p
Metropolitan Water Brd. Grand Junction WW 3% Deb. £1.5
Do. West Middlesex WW 3% Deb. 1.5
Misys 2.61p
Kingdom of Norway 5⅛% Nts. 1995 Y51250
Pifco Hldgs. 3.5p
Do. A 3.5p
Reed Intl. 7.25p
Rep. of Italy 9⅝% Nts. 1997 £937.5
Reuters Hldgs. 15.9p
Scot. Americam Inv. 1.11p
Scot. National Tst. 1.55p
Securicor 1.955p
Do. A NV 1.955p
Securiguard 5.9p
Security Services 3.636p
Sinclair (Wm.) 1.7p
Smaller Co's Inv. 1.4p
Tarmac Fin. (Jersey) 9½% Cnv. Cap. Bds. 2006 £47.5
Thorpe (F W) 0.8p
TSB 3.25p
Treasury 8% Ln 2002/06 £4
Warner Estate 7p
Wolseley 3.55p
Yorkshire-Tyne *Tees TV 8.7p*

■ **TOMORROW**
Ashtead 1.133p
Barbour Index 2.55p
Barclays Bank 9½% Gtd. Nts. 1993 £95
Barr (A G) 4.75p
Bellway 9½% Red Prf 2014 4.75p
Benson 0.1p
Carlton Comms. 10.3p
Cassidy Brothers 0.75p
Countryside Props. 2.7p
Dale Electric Intl. 2p
Dalepak Foods 1.5p
Electron House 1.05p
Eurocopy 0.5p
Fleming American Inv 0.35p
Gibbs Mew 3p
GMAC Australia (Fin.) 15¼% Nts. 1993 A$152.5
Gold Greenlees Trott 3.3p
Greenalls 8% Irred Uns £4
Do. 9⅛% Irred Uns £4.5625
Guinness Fin. BV 6½% Gtd. Nts. 1995 $65
GWR 4p
Hawtin 0.89p
Heath (Samuel) 1.5p
Heavitree Brewery 2.45p
Do. A 2.45p
Honeysuckle 0.75p
Jacques Vert 1p
Jones, Stroud 3.3p
London Intl. 3.2p
Marshalls 1.25p
McMullen 6½% Prf 3.25p
Menvier-Swain 3.3p
Microgen Hldgs. 5.05p
Mid Wynd Intl Inv 2.4p
NFC 2.3p
Porter Chadburn 0.85p
Practical Inv. 1.1p
St. Andrew Tst. 4.85p
Saville (J.) Gordon 0.5p
Selective Assets Tst. 1.2p
Sturge Hldgs. 5.5p
Warnford Inv. 2.75p
Whitbread 9% Uns Ln '97/01 £4.5
Willoughby's Cons Prf 1.5p
Wills 0.1p

■ **WEDNESDAY**
APRIL 7
Adscene 1.8p
Bradford & Bingley Bldg. Soc. 13% Perm Int. Brng. £850
Browning-Ferris Inds. $0.17
Electronic Data Processing 3.1p
Fairway 2.15p
Foreign & Col. Enterprise 0.44p
Hill & Smith 3.9p
Kershaw (A.) 18p
Do. 12½% (8¾% net) B 1.96875p
Prospect Inds. 0.5p
SEP Indl. 0.35p
Kon Wessanen NV Fl2.04

■ **THURSDAY**
APRIL 8
BP Amer 10½% Gtd Nts 1998 C$105
Bradstock 3.65p
Cantors 1p
City Merchants High Yield 1.7p
Courts (Furnishers) 1.83p
English & Caledonian Inv. *1.25p*
Fidelity European Values 0.3p
Fleming Fledgeling Inv. 2p
Govett $0.145
Jos Hldgs. *2.875p*
Kleinwort Charter Inv 3.75p
Leo 1 Class B Mtg. Bkd. Fltg. Rate Nts. 2035 £2242.04
Liberty Life Assoc. of Africa Pfd. R0.78
Photo-Me Intl. 1.4p
Porvair 2.4p
Reject Shop 0.5p
River & *Mercantile* Tst. 2.45p
Salomon Auc. Rate Nts. 1995 $972.66
Shoprite 5.5p
Stakis 0.45p
Tomkins 1.805p
Torex Hire 0.4p
Trans World Comms. 0.8p
Trust of Prop. Shares 1.503p
Unilever Aust. 12% Gtd. Bds. 1998 A$120
Wholesale Fittings 3.32p
Wyko 0.5p
Yorkshire Chems. 5.15p

■ ***FRIDAY***
APRIL 9
BP Cap BV *9¾% Gtd Nts '93* £97.5
Burlington 0.5p
Commerzbank O'seas Fin. BV 10% Nts. 1993 £100
Eurotherm 5p
London Finance & Inv. 0.4p
Philip Morris $0.65
3i Intl BV 10% Gtd Nts '93 *£500*

CONFERENCES & EXHIBITIONS

APRIL 15
Automotive Management Congress '93: The Motor Retail Evolution
Only 20 Tickets left
Penta Heathrow – Vauxhall Chairman Bill Ebbert; David Beck MD Lex Retail; Geoff Dale Chairman Evans Halshaw; Robert Collier Sales Director Jaguar; Trevor Finn MD Pendragon; Paul Dunkley MD Camden Motors. Tickets (inc. lunch) £195. Contact: Janet Itani.
Tel: 081 687 2340. Fax: 081 646 7926.
LONDON

APRIL 19–20
Investing In Privatised Rail Services
A practical examination of the financial and business aspects of the privatisation of British Rail. Speakers include Roger Freeman, MP and Hugh Rees, European Commission. Enquiries: ICM Marketing Ltd. Tel: 0483 37107.
LONDON

APRIL 20
British Public Works Association Privately Financed Infrastructure Conference
Stephen Dorrell, MP, Financial Secretary *to the Treasury, is the keynote speaker at a* one-day conference at the Royal Westminster Hotel, London SW1, to consider the future role of private finance in Britain's infrastructure. Contact the BPWA.Tel: 0784 452748.
LONDON

APRIL 21
Counting On Open Systems: A UK Ground Breaker
The UK's first independent conference for Financial Sector Users, on the cost benefits of IT. Edinburgh Conference Centre, Heriot Watt University, Wednesday, April 21.
Key address: Lutz Doblaski, Wurtembergische.
To register call 041 553 1930.
EDINBURGH

APRIL 22
European Distance Working
International forum presenting economic, managerial and technological issues arising from teleworking and business process redesign. Conference sponsored by the European Commission, DTI, Mercury, Rural TECs. £195 + VAT. Enquiries: Dorothy Woods, The Home Office Partnership.
Tel: 0223 421911. Fax: 0223 421760.
CAMBRIDGE

APRIL 22
Society Of Technical Analysts 1993 Conference
Views and expert methods from an international field of technical analysts. An exhibition demonstrating the latest analytical computer systems.
Contact: The Membership Secretary.
Tel: (0223) 356251.
Fax: (0223) 329806.
LONDON

APRIL 25–27
European Enterprise Computing Conference
Sponsored by Apple Computer Europe.
A major international conference designed to provide IT professionals with a framework for building information systems in the '90s and beyond. Speakers from Apple, Oracle, Lotus and Gartner Group discuss client/server computing, IT costs/benefits and systems integration.
Contact: The Event Organisation Company.
Tel: 071 228 8034. Fax: 071 924 1790.
LONDON

APRIL 26
Downsizing I.T.: The Management Issues
This one day conference looks beyond the technical aspects of moving from mainframe to micros to the organisational, managerial and effectiveness dimensions of successful downsizing.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

APRIL 26-27
KPMG Leasing Tax Conference
"Leasing in the new environment"
The conference focuses on opportunities and developments in the changing tax environment for leasing, sharing experiences encountered around the world, and looks ahead to tax changes and developments presented by new and changing markets. Contact: Joanne Cassidy, KPMG Peat Marwick.
Tel: 071 236 8000.
LONDON

APRIL 27–29
The Commercial Dimensions Of Parallel Computing
Large commercial information systems are migrating from main frames to parallel data base servers for performance and fault tolerance. Top European and US speakers from industry and academia discuss parallel software strategies for business applications (with major case studies).Contact: Unicom. Tel: 0895 256484. Fax: 0895 813095.
LONDON

APRIL 28
After The Coal Debate;
The future of Britain's coal industry, The Brewery, *London. How big will the* market for coal be. How will private miners fare. How much is British Coal worth and how will it be privatised?
Contact: Annette Horsbrough. Coaltrans Conference.
Tel: 081 944 6688. Fax: 081 944 5385.
LONDON

APRIL 28
Franchising Network Services – Regulation In Post, Rail And Water
CRI conference, franchising approaches for post, rail and Scottish water are *reviewed for effectiveness, including* international experience and legal aspects of regulation. Delegate discussion time included. Contact: Leigh Sykes. CRI.
Tel: 071 895 8823.
LONDON

APRIL 28
Quality Winners
How can your company lead the field in Quality? This Seminar presents the findings of two study tours, focusing on outstanding Quality Achievement in the manufacturing and service sector. Gain Quality experience - first hand.
Contact: Sinead Smith.
Tel: +44 (0)61 834 8457.
Fax: +44 (0)61 835 3087.
NOTTINGHAM

APRIL 28 & 29
Financial Innovation – New Directions For The 90s
This high-level forum will review developments in financial innovation in a period of low growth and low inflation and consider future trends.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
LONDON

APRIL 28 - 29
Interest Rate Risk Management Course
Day 1: Yield Curve construction and Risk. *Basic Derivative Instruments. Day 2: Risk* Models. Hedging Basic and Derivative *Instruments, Trading workshop session.* Venue: Cambridge Science Park, *CAMBRIDGE. £345 (1 day only), £595* (both days) Contact: Kathy Page, Brady *Financial Seminars. Tel: (0223) 423250*
CAMBRIDGE

MAY 5
Can Europe Meet The Global Challenge? Competitive Strategies For The Post-1992 World
The RIIA and The Strategic Planning Society present an international conference which examines the numerous simultaneous changes European companies must master in order to get through the 1990s successfully.
Details: Jo Maince, The Strategic Planning Society. Tel: 071 636 7737.
LONDON

MAY 5–6
Know Your Competitors: Competitor Intelligence & Analysis Inc. Benchmarking
A practical two day seminar/workshop from the UK's No. 1 specialists. Practical case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit.
Contact: *Patricia Donnard, EMP* Intelligence Service.
Tel: 071 487 5665. Fax: 071 935 1640.
LONDON

MAY 6
Foreign Exchange Options Course
Intensive one-day course covering various aspects of the FX Option Markets: Trading Strategies, Forward Arbitrage Calculations, Pricing Models, Hedging, Volatility Exposure & Time Decay.
Venue: Cambridge Science Park, CAMBRIDGE. £345
Contact: Kathy Page, Brady, Financial Seminars. Tel: (0223) 423250.
CAMBRIDGE

MAY 10 & 11
European Securities Markets
The Implementation of the EC's Capital Adequacy and Investment Services directives, the future structure of European equity and bond markets, the needs of international companies in raising equity and debt finance will be discussed. Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
LONDON

MAY 10–11
Promoting I.T. And Business Partnership
This two day conference explores the approaches to achieving partnership *between I.T. and the business, including* changes in working practices, I.T. *organisation and the development of* managers with balanced 'hybrid' skills.
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

MAY 11
Effective Business Protection
As businesses become increasingly dependant on automated systems, failure of all or part of a system can bring disastrous results. This IOD conference in association with the CSA shows how and why you should produce a contingency plan. Contact: Director Conferences
Tel: 071 730 0022
LONDON

MAY 13
New Frontiers In European Competition Law
A legal and business framework for lawyers and businessmen; Commission policy on regulated industry; the role of national courts; recent developments in joint ventures; and sanctions (fines).
Details from:- NADENE SCOTT, Institute of European Law.
Tel: (021) 414 6298 Fax: (021) 414 3585
BIRMINGHAM

MAY 13–14
2nd International Direct Banking & Insurance Conference
"Stand-Alone Business Or Add-On Service?" Learn the best strategies for developing your direct service provision from: Topdanmark, Postbank, USA Bank and many more. Key issues to be addressed: staffing; technology; pricing; management.
Contact: Alison Creed, Lafferty *Conferences.*
Tel: 353 1 718022. Fax: 353 1 718240.
LONDON

MAY 17
Restructuring In The Insurance Industry
A change in regulatory climate, recession and catastrophes have brought about *evolution in the Insurance Industry. There* are opportunities to be seized, but the risks are high. Find out more from leading industry specialists.
Contact: Acquisitions Monthly Conferences.
Tel: 071 823 8740. Fax: 071 581 4331.
LONDON

MAY 20 & JUNE 8
Benchmarking - Organisational Performance & Improvement
A practical one-day seminar/workshop, lead by the authors of the forthcoming Financial Times Business Series book on Benchmarking.
Contact: Sulli Bendell, Services Ltd.
Tel: 0602 455285. Fax: 0602 817137.
GLASGOW & LONDON

MAY 21
IADB Conference – Meeting The Investment Needs Of Latin America
Dr Enrique Iglesias hosts this event sponsored by Canning House, ING Bank, Latin American Newsletter and Bankers Trust. Focus on capital requirements, nature and size of capital flows.
Contact: Marc Lee, Cityforum.
Tel: 0225 466744. Fax: 0225 442903.
LONDON

MAY 24–25
Oil & Gas Transport And Security In The Former USSR
A detailed assessment of the structure, control, economics and politics of the FSU's energy transportation infrastructure (pipelines, railways, waterways, roads). Co-hosted by Transneft, Gazprom, and the Kazakh Ministries of Fuel-Energy and of Transport.
Contact: Europe Energy Environment.
Tel: 071 493 4918. Fax: 071 355 1415.
LONDON

MAY 27
Arbitration Of Intellectual Property Disputes
A one day conference with international speakers designed to explore the resolution by arbitration of disputes about patents, copyrights, trademarks and other forms of intellectual property. Contact: Conference Department, Chartered Institute of Arbitrators.
Tel: 071 837 4483.
LONDON

MAY 27
Open Systems: A Critical Review
This one day conference gives a realistic assessment of their relevance to today's I.T. strategies. Should every organisation be planning for an open systems environment? If not, what architectures should they be backing? *Is there a compelling business* argument for backing open systems?
Contact: Business Intelligence.
Tel: 081 544 1830. Fax: 081 544 9020.
LONDON

JUNE 3–4
The Third Global Conference On Marketing
Forum for update and exchange of best in marketing theory and practice, led by faculty of practitioners, academicians and *consultants, and incorporating senior* executives from 25 countries.
Contact: Management Centre Europe.
Tel: 322 516 1911.
In North America, American Management Association.
Tel: 212 903 7932. Fax: 212 713 1652.
LONDON

JUNE 7
Business Re-engineering: A new role for I.T.
This one day management conference provides an incisive guide to the challenges presented to the I.T. function. There will also be opportunities to obtain hands-on experience of some of the new software tools which support business modelling and redesign. Contact: Business Intelligence Tel: 081-544 1830
Fax: 081-544 9020
LONDON

JUNE 7 & 8
North Sea Oil & Gas
The conference will review exploration and production activity, the importance of North Sea assets to energy companies, the challenges facing operators and contractors in a mature sector and the outlook for investment.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
LONDON

JUNE 17
Outsourcing I.T.: A Critical Assessment
This one day conference is designed to help senior I.T. and business managers assess the potential value of outsourcing to their organisations, and to identify the factors which contribute to the successful selection and management of such *arrangements, including contractual and* other practical questions.
Contact: Business Intelligence.
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

JUNE 22
The 4th Annual Conference On Outsourcing And Facilities Management In I.T.
Highlights include: the client/supplier relationship, negotiating a contract, service level agreements, the pros and cons of FM, and a case study of outsourcing an IT department within a *small organisation. Contact: Dipti* Chauhan, IBC Technical Services Ltd.
Tel: 071 637 4383. Fax: 071 631 3214.
LONDON

JULY 6-7
***Chewton Glen, Hampshire* Creating Excellence In the Boardroom**
Explore with fellow directors how to *achieve excellence in the boardroom, and* learn from guest speakers from blue chip companies how *directors* and boards can play a leading role in the achievement of corporate transformation.
Contact: Dipti Chauhan, IBC Technical Services Ltd.
Tel: 071 637 4383. Fax: 071 631 3214.
HAMPSHIRE

JULY 7-8
Maintaining Your Competitive Edge By Achieving Customer Service Quality In The Financial Sector -
For banks, building societies, insurance companies. CASE STUDIES from Abbey National plc, Citibank, I.C.L. and interactive WORKSHOP.
Contact: Caroline Carter, Euromoney.
Tel: 071 779 8793. Fax: 071 779 8795.
LONDON

INTERNATIONAL

APRIL 28–29
***Black Sea Oil & Gas:* Emerging Opportunities**
The first public international forum on the Central Asian and South-East European oil and gas industries, with senior delegations from the entire region. Hosted by Marmara Bank and Europe Energy Environment.
Contact: Europe Energy Environment.
Tel: 071 493 4918. Fax: 071 355 1415
ISTANBUL

MAY 5-6
***DRI/McGraw-Hill's World Cars* and European Trucks Conference** will bring together DRI's latest authoritative forecasts with key outside speakers to address the issues of the current cycle in the automotive industry and to anticipate the critical questions to be faced in the next five years. Contact: Corinne Redonnet.
Tel: 081 545 6212.
BRUSSELS

MAY 10
Financial Controllership Across Europe
Chartered Institute of Management Accountants symposium for European Finance Directors and Controllers with a welcoming evening dinner 9 May. Focus on how Financial Managers can add value *to the business in an era of constraints* both from competition and regulation
Contact: Sarah Davey.
Tel: +44 71 637 2311 (Ext 2323).
Fax: +44 71 631 5309.
GENEVA

MAY 12
Wargameal
Participate in a 1-day Business Wargaming seminar and workshop. Learn how to improve your probability of "strategic win". Mini-wargame exercise and 50-page Business Wargaming Guide included. For managers in Business Development, Competitive Intelligence, Marketing, and Planning. In-house events arranged. Contact: *IIB SA.* Tel: +41 22 362 77 67.Fax: +41 22 362 77 92.
KÖLN

MAY 12-14
Structuring Successful International Assignments
Major two day conference for human resource professionals from both experienced and emerging multinationals who plan and manage international staff transfers. £550
Contact: Stephen Grant, Ernst & Young.
Tel: 071 931 2980. Fax: 071 583 5446
VIENNA

MAY 24-25
European Food and Drink Industry Conference
"What really matters in the European arena". This conference explores the *design of competitive organisational* structures and formulation of marketing *strategies for national and multinational* players.
Contact: Management Centre Europe.
Tel: 32-2-516.19.87 Fax: 32-2-513.71.08
BRUSSELS

MAY 25 & 26
Asian Electricity
The aim of the meeting is to provide a high-level forum to review regional privatisation programmes, discuss power project financing and consider future fuel choices.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
SINGAPORE

MAY 25-27
"Asia And World Textiles"
Will examine Asia-Pacific's enormous potential as a source/market for investment, technology, clothing and other textile products. Factory visits to China, Sri Lanka and Taiwan will follow the wealth of opportunities that this conference will provide. Contact: Hannah Barker. Tel: +44 (0)61 834 8457.
Fax: +44 (0)61 835 3087.
HONG KONG

JUNE 2-3
European Manufacturing Management Congress
Under the theme of Management for Turbulent Times leading international experts: Philip Crosby, Richard Pascale, Steven Wheelwright, David Le and Rover Group's David Bower will address key issues in manufacturing today.
Enquiries: Strathclyde Institute
Tel: 041 353 2882 Fax: 041 353 1771
GENEVA

JUNE 8 & 9
Aerospace And Commercial Aviation To The Year 2000
The FT's biennial conference arranged to precede the Paris International Air Show will focus on the prospects and challenges for the airline and commercial manufacturing industries faced with increasing competition.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
PARIS

JUNE 14 & 15
World Gold
The aim of this year's annual FT Gold conference is to bring together central *bankers, bullion bankers,* mining house executives and industry analysts to review *the current outlook for gold and discuss* future market trends.
Enquiries: Financial Times.
Tel: 071 814 9770.
Fax: 071 873 3975/3969.
ISTANBUL

JUNE 28-29
2nd International Bank Marketing Conference
Theme: "Strategies for all Seasons". Overcome the marketing challenge for the 90s: Database Marketing, Direct Service Provision, Merchandising, Public Relations, Advertising Financial Services, Marketing in a Recession, Micromarketing. For further details contact: Catherine O'Reilly, Lafferty Conferences.
Tel: (+353 1) 718022 Fax: 713594
PRAGUE

MANAGEMENT

Creating cracks in the layers

Ciba is paying more than just lip-service to the term empowerment, finds **Paul Abrahams**

Alex Krauer knows the gap between *rhetoric* and reality is nowhere greater than in the domain of organisational management.

While chairmen pronounce their latest vision for their company, more often than not in the bowels of the organisation their instructions are interpreted, subverted or merely ignored.

Krauer should know. Ciba, the Swiss chemicals and drugs group where he is chairman, is a perfect example. For two years, senior managers at the company, which last week reported post-tax profits up 19 per cent, have been struggling to implement a cultural revolution. Its aim is to make the organisation more flexible and responsive by giving its shop-floor employees more responsibility. The scheme, called Vision 2000, is, in current management jargon, all about empowerment.

"Everything depends on implementation," says Krauer. "This mustn't just be a declaration of intent. We must actively involve every employee in the process. The danger is that we create a level of expectation and then nothing happens."

The implementation of Ciba's vision has not run smoothly. Heini Lippuner, chief operating officer, admits: "We do not have a uniform adoption of the leadership style we would like. There's a difference between the various divisions. Some are far advanced. In some others, I'm sorry to say, there is not much difference at lower levels."

The causes for the different degrees of implementation are multiple, says Lippuner. Partly it depends on the attitudes of the individuals at the top of Ciba's 14 divisions. Partly it is the cultural differences between countries.

Italy is touted as one of the examples where empowerment has worked. Sergio Giuliani, corporate head of Ciba Italy, says the Italian management during the early 1980s was authoritarian, hierarchical and bureaucratic. "By definition a successful company becomes complacent and conservative," he says. Since then, layers of management have been ripped out and a start made in devolving decision-making down the organisation.

But in Basle, at Ciba's headquarters, a risk-averse bureaucratic culture still exists, says Lippuner. There is a passion in Basle for avoiding mistakes, he says. That makes empowerment difficult, because personal initiative brings the possibility of making errors. "The Swiss character cherishes its traditional ways," says Lippuner.

In an effort to escape the deadening hand of Basle, the company has moved the headquarters of three of its divisions out of Basle. A fourth, the eyecare division, Ciba-Vision, is relocating to Georgia later this year.

At Ciba's pigment division headquarters in Paisley, Scotland, Jean-Luc Schwitzguebal, managing director, says moving divisional headquarters out of Basle is vital. "Our performance is now our responsibility. We can't blame anyone else. We can't bitch that we are doing everything right, but Basle is screwing it up."

Krauer identifies a further key component for successful implementation. "The critical area is middle management. If it stops there, then the whole exercise is wasted. Some fully support the changes, while others are afraid. Others refuse to delegate because they believe that by doing so they lose power," says Krauer.

Lippuner explains: "I meet young people on the shop-floor who tell me they like the vision, they believe we are sincere about empowerment. But they complain there has been no real change. To put it pointedly, it looks as though we have a layer of clay that prevents anything going either way – up or down. That layer is middle management."

The resistance to change is sometimes unconscious, says Giuliani. "There is often an unspoken contract between the boss and employee. They play a game," he says.

Ciba is putting immense effort into explaining the programme. "If you don't understand, you don't believe and if you don't believe you won't take on the vision," says Krauer.

Senior management plans to crack the layer of clay by creating pressure from both above and below and through education. Questionnaires were sent to the 20,000 employees in Switzerland about their superiors' leadership behaviour. The aim, says Krauer, was to set up a level of expectation from employees and use that expectation to force middle managers into dialogue.

Krauer believes 90 per cent of managers are capable of adopting the vision. "A few, and I hope only a few, will not want to co-operate and they had better look for a job outside Ciba," says Krauer. "There's too much at stake for people in key positions not to be part of the process."

Lippuner says he does not want to paint too black a picture. There have been changes in small units away from Basle where leaders have been particularly dynamic and deployed private initiative.

Jim McDonald says he is at the bottom of Ciba. A team leader at Paisley – a plant cited by Lippuner as a success – McDonald says the vision has filtered its way down.

"We are now treated reasonably and responsibly," says McDonald. Clocking in and out has been abandoned. At the start of the day workers no longer wait to be handed work slips because they know what to do. By being given responsibility, most of the workforce – and he admits there are still some from the old school – are far more highly motivated.

Colin MacKay, the boss of his plant, is delighted. He explains how maintenance problems have been resolved by giving workers responsibility.

"Previously, production people waited until something broke and the shit hit the fan. They then blamed the maintenance people. The maintenance people blamed the production people for treating the machinery badly," says MacKay.

Maintenance workers have now been incorporated into the production team, helping production staff spot when machinery is likely to break down. Rather than running the plant to destruction it can be shut down for half a day for preventative maintenance, saving three or four days' down-time. "It sounds obvious, but it took time to change the habits of a lifetime," explains MacKay.

Attitude surveys at Paisley suggest that nearly 70 per cent of employees are proud to work for Ciba. "That includes people who spend most of their day shovelling chemicals. They're surprisingly good figures," says Schwitzguebal who claims Paisley was the only classical pigment producer making money in western Europe last year.

McDonald agrees that management is now far more effective, allowing the possibility of avoiding problems before they happen. But in spite of Paisley's model status, he argues there are still difficulties. Team leaders wanted to meet to discuss similar issues, but the middle management initially blocked their meetings. "We should meet one another – we have plenty to talk about," he says. In the end, permission was given.

Elsewhere, employees are also enthusiastic about the changes. At Ciba's epoxy-resin plant in Duxford, Cambridgeshire, Lionel Webb, customer service centre manager, describes proudly how his department was restructured after employees were polled about the business's problems.

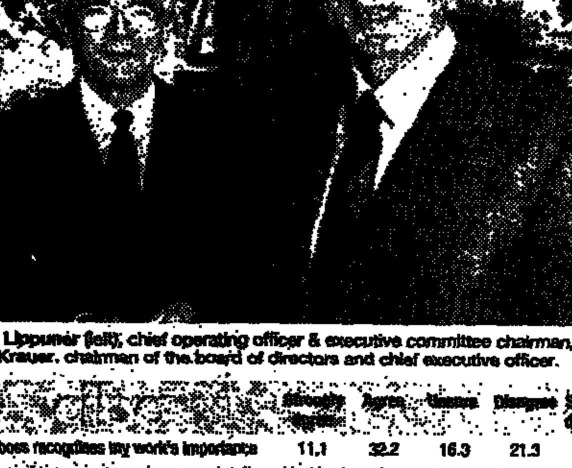
The survey revealed the business's top problem was the telephone system which was technically good, but poorly used, says Webb. Technical, sales and order advice was handled by different people on separate lines. Both customers and employees became frustrated as more than 25 per cent of incoming calls – between 50 and 60 a day – went unanswered as calls were bounced from department to department.

Staff decided to set up a customer service centre with a direct line. They were given more responsibility and retrained to handle all aspects of inquiries in a single call. A graph at the site's main entrance shows that now only a couple of calls are unanswered a day.

Ciba managers admit the success of the Italian and Paisley businesses cannot be put down just to the vision. For various reasons, the cultural change started earlier than the programme. Many other divisions still have a long way to go.

"I have no illusions about inertia – I've worked in this organisation for 35 years. But that does not mean we will capitulate," says Lippuner.

Attitudes of staff at the Ciba plant, Paisley, Scotland



Heini Lippuner (left), chief operating officer & executive committee chairman, with Alex Krauer, chairman of the board of directors and chief executive officer.

[illegible]	Strongly agree	Agree	Unsure	Disagree	Strongly disagree
I feel my boss recognises my work's importance	11.1	32.2	16.3	21.3	19.1
I need more training to do my job	17.5	21.6	12.9	29.7	18.3
I feel very much left on my own	15.4	20.3	17.6	30.3	16.5
I enjoy the challenges of my job	23.6	44.8	12.5	10.8	8.5
I feel proud to work for Ciba	22.9	48.4	20.2	5.0	5.6
[illegible]	9.3	18.3	14.4	27.8	30.6

Source: Ciba

A very uneasy alliance

Johanna Fullerton and Michael West on the client/consultant relationship

Why are companies which hire consultants so often disappointed with the results? And why do consultants often feel disappointed with the practical outcomes of their work?

A report* of a recent study of consultants and their business clients reveals the problem is caused by the different views each side has about the relationship. Consultants view "relationship building" and achieving "trusting, warm, equal, experimental and open relationships" as the most important part of client-consultant relationships. However, clients emphasise that consultants must be aware of the practicalities facing them and want value for money. When asked what happens in practice, clients say that consultants are often not expert in managing change.

The study was carried out by researchers at the University of Sheffield who conducted interviews with 22 organisational change management consultants from a leading British commercial service organisation and with 16 of their clients.

The report showed that consultants emphasised the importance of rapport, and of "working together". The consultants stressed working at the client's pace, rather than demanding too much change.

Clients' overriding concerns were that consultants should use time effectively, remain objective (which consultants acknowledged they had difficulty doing) and give value for money.

The results revealed that both sides felt the consultant should listen to the client's views and agreed the client should "own" the problem and take responsibility for solving it. Both agreed there should be clear objectives and that mutual honesty was important.

Consultants criticised clients for using unnecessarily technical language to describe their organisational problems.

Clients, on the other hand, said consultants used too much "consultancy speak" which hampered their ability to work effectively together.

The report also describes what happens in practice during client/consultant relationships. Clients reported that in less than one in three cases did they feel confidence in the consultant's expertise to manage change. In the majority of cases they felt consultants were not aware of the organisational practicalities facing them.

The report advises consultants and clients to place more emphasis on clarifying what they want to achieve and the type of working relationship they will have. Clear aims and objectives for the consultancy project should be established at the outset. There should always be a clear contract and, given the pressure on consultants to win contracts, clients should check relevant experience of the consultant.

Both sides should be clear about whether the consultant is expected to provide expert advice or to adopt a counselling role.

Consultants must understand the practicalities facing the client within the organisation and not simply adopt "off-the-shelf" solutions. Clients want tailor-made solutions from the consultants which reflect the challenges they face, not formulas applied as universal panaceas. Consultants should also avoid using jargon and "consultancy speak" which can alienate clients.

Clients should be more accessible to consultants and less passive in the process by working with them to find answers. The process of consultancy the research suggests, involves clients and consultants working together in an active collaborative relationship to find solutions to organisational challenges.

**Management consultancy: dimensions of client/consultant relationships. The Centre for Economic Performance at the London School of Economics and Political Science, Houghton Street, London WC2A 2AE.*

Johanna Fullerton is a consultant with Pearn Kandola Downs, Oxford. Michael West is a senior scientist at the MRC/ESRC Social and Applied Psychology Unit, University of Sheffield.

CONSTRUCTION CONTRACTS

Building prisons in Texas

CHARTER BUILDERS INC, of Dallas, the US division of Mowlem International Construction, has been awarded three prison projects in Texas worth US$67m (£45m).

For the Texas Department of Correctional Justice, Charter Builders is to build two virtually identical Alberti units at Abilene and Huntsville, Texas.

Valued at $26m (£17.5m) each, the units will comprise 15 buildings, including gatehouses and guard posts, extending to approximately 320,000 sq ft. They will house 2,000 inmates in a medium security environment, mostly living in dormitory accommodation.

Each housing unit has an adjacent outdoor exercise and recreation yard. Fifty isolation cells will also be provided. Construction will primarily be pre-engineered, prefabricated metal buildings.

Charter's primary challenge on the projects is the requirement to complete all the buildings within a 240-day period.

The third contract, worth $16m (£10.7m), is to build Dallas County Juvenile Justice Center, comprising court rooms, detention areas, attorney and social workers' offices and outdoor recreation facilities.

Extending to about 220,000 sq ft, construction will be structural steel frame with composite floors, precast planks and concrete masonry load-bearing walls.

Completion of the project is due in November 1994.

World Trade Centre hotel in Mexico

GRUPO SITRA, the Mexican company jointly owned by Trafalgar House Construction and Grupo Sidek, has been awarded a £7m contract to build the first stage of the new World Trade Centre Hotel in Guadalajara. This brings the total amount of work won by the company since its formation last year to £41m.

The 19-storey, 480 bedroom hotel is being constructed for Servicios e Immuebles Turisticos and will be located next to the Guadalajara Expocenter. Grupo Sitra is responsible for erecting the entire steel structure, which includes three basement levels, along with the foundations, retaining walls and permanent shuttering. Piling work is currently commencing on the site and the first stage is scheduled for completion at the end of this year.

Other hotel work currently under way includes the design and construction of the £20m Hotel Continental Plaza and Centro Commercial in Veracruz, Mexico's largest port. The complex will consist of an eight-storey hotel containing 240 bedrooms and a seven-storey office and banking block, and a single-storey restaurant and discotheque above a semi-basement car park.

On the country's western seaboard, Grupo Sitra has two design and construct contracts worth £7m for residential and tourist developments. At Guaymas, work on the Condominios Plaza Las Glorias involves building 44 apartments in several six-storey blocks, while further down the coast a group of villas are being built as part of a marina complex at Puerto Vallarta.

In the north east, near the United States' border, the company has a £7m contract at Mexicali for the civil engineering works connected with a new water treatment plant and steel rolling mill.

Staffordshire bypass development plan

Four contracts, worth a total of £32.5m, have recently been awarded to ALFRED McALPINE CIVIL ENGINEERING.

The largest of the three, worth £26m, is the A5 bypass at Tamworth in Staffordshire for the Department of Transport.

The 8km long dual carriageway bypass will diverge from the existing A5 at Bangley, taking a route to the north and rejoining the original A5 again at the junction with the M42. The work also includes 2km of single carriageway at Kettlebrook to replace part of the A51.

The project involves a total of 20 structures including a 180 metre long viaduct over the A4091 and the River Thame.

The bypass is believed to be the first trunk road to be constructed using porous asphalt surfacing which reduces noise pollution and spray.

The second contract, worth £11.8m, also for the DTp, is for the widening of the M56 at Wythenshawe, Manchester.

The work involves the conversion of 3km of motorway from dual three lane to dual four lane standard and also includes the demolition and replacement of several bridges and construction of 3.5km of mass concrete retaining wall of up to six metres high. Completion is set for July 1994.

The two remaining contracts concern coastal protection for Colwyn Borough Council at Rhos-on-Sea, Clwyd, worth £3m, and the renewal of training walls on the River Crane at Hounslow for the National Rivers Authority, worth £1.7m.

Services planned for motorway link

A start on a service area for the M1-A1 link is the latest project to be carried out by TARMAC in building the new route to the east coast.

BP Oil UK has awarded the contract, worth £600,000, for the infrastructure of the first service area at Brampton Hut roundabout, at Huntingdon, in Cambridgeshire.

The contract provides for an access road and roundabouts with associated earthworks, drainage, lighting and a rising main for the service area.

The new dual carriageway will run for 45 miles from the M1 at Catthorpe, in Northamptonshire, to the A1 at Huntingdon. The four-year programme of work on the link road has involved the construction of nine interchanges.

£28m work for Team Services

Refurbishment features strongly in a £28m batch of new contracts for TEAM SERVICES.

The refurbishments, all in London, include the listed Royal College of Pathologists' HQ in Carlton House Terrace (£2m), Melbourne House, owned by Lynton, the property arm of BAA (£1.5m), Studio 6 at the BBC Television Centre (£1.5m) and the Department of National Heritage, off Trafalgar Square, where extensive fitting out involves ministerial offices and a press briefing suite.

Four universities, Edinburgh, the University of Wales College of Cardiff, Nottingham Trent and Bradford are all building new flats and bedstudies or refurbishing existing ones. In total 1,250 rooms are costing £14.2m.

At Loughborough College of Art and Design and Trinity and All Saints College, Leeds, 196 new rooms, many with en suite facilities, are to be built for a total of £2.5m.

Outside these two fields Team is to construct a 34,000 sq ft extension and 326 space car park for South Wales Electricity in Cardiff.

Mansell busy

MANSELL has recently been awarded contracts worth £34m. The latest projects extend from Portsmouth to Birmingham and include new build, refurbishment, design and build, fitting out and maintenance.

The company has also been successful in novating contracts from the receivers of Peter Ling with a gross value of £17m covering new build, refurbishment and design and build.

Rugby stadium

SEVERFIELD-REEVE has been awarded over £7.8m in new contracts. The largest contract, worth £4.5m, is for the new west stand at Murrayfield stadium, for the Scottish Rugby Union. The new two tier stand will be 325 metres long and will seat 30,000 spectators. When completed the cantilevered roof is expected to be the third longest in the world.

PEOPLE

Legal & General splits its core business

Chris Hatry, 44, has been appointed managing director of sales and marketing of Legal & General's life and pensions business following the group's decision to split its core business in two.

David Prosser, 49, who took over as L&G's chief executive 18 months ago, says he wants to emphasise the clear division between the group's sales operation and its "manufacturing" process.

Two separate management structures take effect from July 1. Robin Phipps, 42, currently customer services director, has been appointed managing director of services.

Although L&G is stressing the logic of the move, some analysts speculated that the reorganisation was more of an attempt to fill a gap which has existed at the top of L&G since John Elbourne, 48, managing director of L&G's life and pensions business, resigned in June 1991.

Elbourne had been with L&G for 30 years and was responsible for the big expansion of L&G's life and pensions business. However, after losing out to David Prosser for the top job at L&G, he joined the TSB where he is now chief operating officer of retail banking and insurance.

His departure, which coincided with the retirement of group chief executive Joe Palmer, has left the L&G board short of traditional life insurance industry expertise. Of the three remaining executive directors, two are investment managers and one is an accountant.

John Craddock, 59, who took over Elbourne's responsibilities for life and pensions, was not given a seat on the board and retires this year. There has been speculation that he might be replaced by an outsider, or an overseas executive like Trevor Matthews, who heads L&G's successful Australian life insurance business.

In the event, the decision to split the job suggests that L&G has still not made up its mind who will fill the place on the board vacated by Elbourne.

The promotion of Hatry (right), who has a doctorate in mathematical physics, and Phipps (left), who has also been with the firm for 20 years, gives a clue as to who might eventually plug the gap.

Has Jack Wigglesworth come to rest for a while? Ever since the longstanding and well known Greenwells partner left in 1986, he has had quite a variety of jobs, none of which has lasted very long. Now, having worked as a consultant to J P Morgan Futures for a year, he is joining Citifutures, full-time, in the new position of director of marketing.

He says that with two children still in full-time education he "fancied" a permanent position. The JP Morgan post, as business development director, was "ongoing but without the feel of a permanent job".

He left Greenwells after 15 years, 13 as a partner, for Lloyds Merchant Bank. There he was head of government bond sales but the primary gilts dealership was closed down nine months later. He also had a two-year stint at Henderson Administration.

Wigglesworth, joint deputy chairman of Liffe, says that Citifutures has always had a policy of forging closer links with the derivatives exchanges, so that his familiarity with Liffe was regarded as an asset.

Finance moves

■ Mark Weeks, a vice-president with Morgan Stanley, has been appointed director of marketing and business development at LONDON GLOBAL SECURITIES.

■ Robert Young, formerly finance director of RoyScot Trust, has been appointed finance director of WAGON FINANCE.

■ Stephen Down, formerly md of Wright Oliphant Seiyo, is returning to London as a director of Wright Oliphant, part of HAMBRO COUNTRYWIDE. Shigemi Yoshida replaces him in Tokyo.

■ John Kendrick, formerly chief executive of the central region, has been appointed chief executive of BOWRING Financial Services based in Birmingham. He is replaced by Wilfred Shaw who is based in Bradford.

■ Jeremy Greenhalgh and John Quitter have been appointed directors at UBS PHILLIPS & DREW; they move from Goldman Sachs and SG Warburg, respectively.

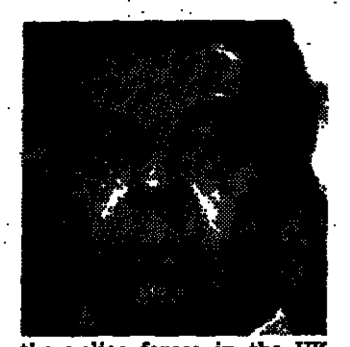
■ Michael Devine has been appointed director, securities services, at The ROYAL BANK OF SCOTLAND; he moves from Chemical Banking Corporation.

■ David Benson (below left), formerly a deputy md at UBS, has been appointed a director of SINGER & FRIEDLANDER Capital Markets.

■ Jeremy Norfolk (below right), until 1991 md of Adam & Company, has been appointed md of all the companies within the CATER ALLEN JERSEY GROUP.

Imbert joins ranks of Securicor

Securicor has recruited its first ex-policeman on to the board in a non-executive capacity. Sir Peter Imbert, who retired at the beginning of February after five years as commissioner of the Metropolitan Police, comes in as part of a drive to widen the pool of expertise available from the company's non-executive contingent. Until now, many have been Securicor career men.



Roger Wicks, Securicor's chief executive, says that Sir Peter will be useful in helping develop the overseas operations. Slightly more than half the group's employees work abroad, concentrated in continental Europe and the Pacific Rim. Within the past two years, the company has started up in St Petersburg and has branches in Hungary. "Naturally, we already know the police forces in the UK very well, but Sir Peter's top-level relations with forces around the world will be very helpful to us," says Wicks.

Imbert, who turns 60 at the end of the month, joined the Met in 1953, serving for many years in the Special Branch. During his time as Commissioner he is credited with helping to repair the Met's tarnished image, and successfully concentrating on police service to the community.

While Securicor numbers many ex-policemen in its ranks, and ex-deputy commissioner Sir Colin Woods has been a director and consultant to parts of the firm though not on the main board, no Met commissioners have been involved to date.

Two non-executive directors, Eric Hollis and John Delaney, retired last year; both were ex-Securicor executives. Sir Neil Macfarlane, MP for Sutton and Cheam until the last election, has already joined the board, partly to help smooth the way when the firm has dealings with government. Wicks says he plans to add another non-executive in the course of this year, bringing the total to seven out of the 12-man board.

Architecture/**Colin Amery**

Abbey keeps the world at bay

In 1950 the Ordnance Survey published a map of monastic Britain which gave the names and locations of the 900 monasteries and nunneries of the pre-Reformation country. It is hard for us to imagine the holocaust of destruction that followed King Henry VIII's suppression of the monasteries and today it is difficult to conceive of a Britain that in some ways must have been like Tibet – a land full of monks and nuns, even in its remotest corners.

It was, I think, Sacheverell Sitwell who said that the great monastic ruins of England were the equivalent of Cambodia's Angkor Wat or Egypt's Abu Simbel. They seem as dead and defunct as those places because the ruins are not even corpses but skeletons, with no traces left of the souls and minds that once inhabited them. Even the most remarkable of all the monastic remains in England, Fountains Abbey, demands a feat of imagination to evoke the nature of the monastic lives that were followed there.

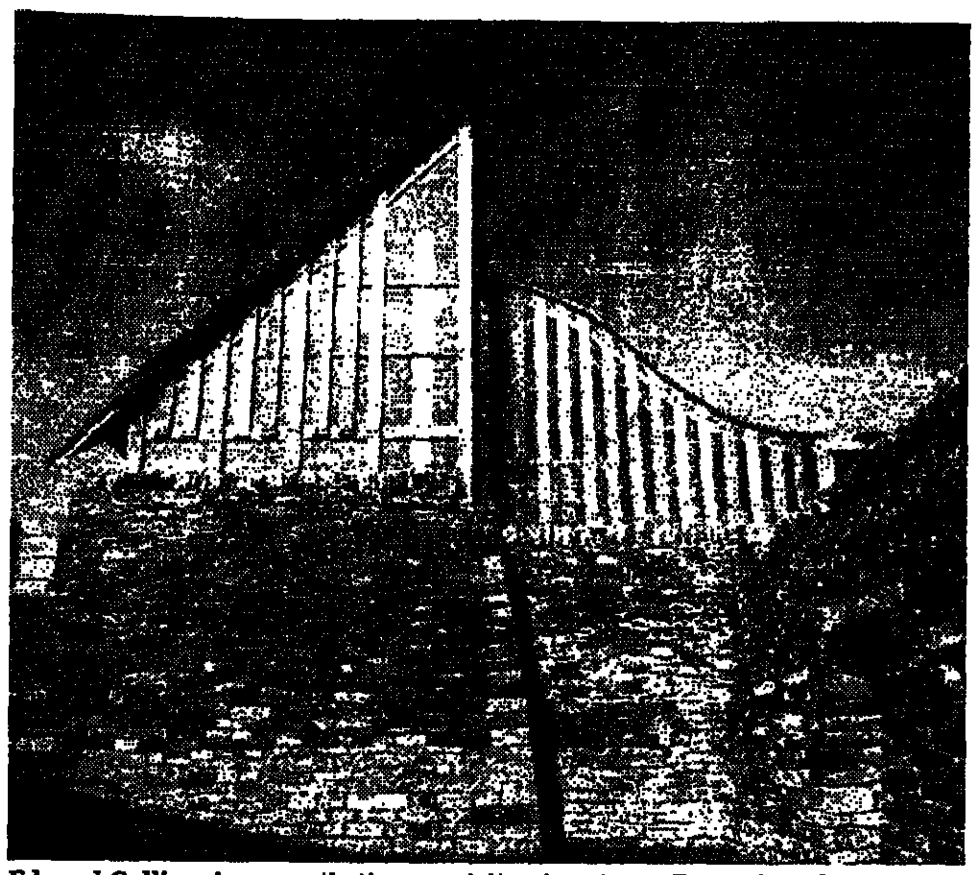
The problem, even in as remote and beautiful a place as Fountains Abbey by the River Skell in Yorkshire, is that the remains of England's abbeys have been secularised at least once in their long lives. Fountains' first secularisation came at the dissolution; its second in the 18th century when John Aislabie and his son laid turf in the fields around the abbey and incorporated the ruin as a picturesque fragment in their new landscape gardens. In this century, the remote and silent abbey ruins and the adjacent landscape park of Studley Royal have been drawn closer still to the secular world by waves of visitors and their cars.

In 1983 the National Trust bought the Fountains Abbey and Studley Royal estate, acquiring not just the 18th-century landscaped water gardens, but also the most complete Cistercian abbey in Europe. The Trust also acquired a problem of the most sensitive kind. It was not just a matter of how to restore and care for the estate, it was also a matter of preserving the extraordinary atmosphere while coping with more than 300,000 annual visitors.

It is the combination of landscape and architecture that makes Fountains Abbey special. There are two aspects to this. When the monks of St Mary's Abbey in York begged their superiors to remove them from the laxity of town life in 1132, their archbishop selected Skelldale because it was "a place remote from all the world, uninhabited, set with thorns . . . fit more for the dens of wild beasts than the uses of mankind". To this aspect of remoteness must be added the approach of the 18th-century landscapists, who reduced the abbey ruins to picturesque features while elevating the entire estate into a vision of the sublime imagination.

The National Trust has continued the development of the estate by planning for the reception of visitors in ways that remove the worst aspects of the visibility of car parking and allow more rewarding circular walking routes. But the most important element is the new visitors' centre that has now been opened after years of delicate treading of the planning tightrope. The saga is in many ways a story of our times. The amount of local, regional and national negotiation needed to build a centre that is, itself, dedicated to the enhancement of the whole estate in retrospect seems almost unbelievable. But the concerns were the correct ones; many people felt that the greatest Cistercian abbey in Europe, in its wild valley, should be sacrosanct.

The selection of the architect was a vital part of the process and the Trust's choice of Edward Cullinan and Partners was brave and inspired. The choice of site to allow the invisibility of the centre from the abbey was also important, but this did not mean that the centre should be designed as a shy and retiring creature lurking secretly in a remote meadow. The National Trust has taken the appointment of architects very seriously and at Fountains Abbey the opportunity to add something of quality from the late 20th century was rightly considered to be important.



Edward Cullinan's sympathetic new visitors' centre at Fountains Abbey

The result of this act of patronage is a remarkable new building located as an incident in the entire landscape plan of the estate. The visitor approaching from the new road now sees new axial views of the pinnacled spire of William Burgess's High Victorian St. Mary's Church (built by the pious Marchioness of Ripon in the 1870s). Aislabie's grand avenue, focused on the distant view of Ripon cathedral, is another new, fine view. After a sharp turn away from the obelisk of 1815 the road brings the visitor to the new centre.

The initial view of the centre, which will be very different when the new trees have grown, is something of a surprise. Cullinan's design is both vernacular and flamboyant. Dry stone walls root the building to its site, steeply pitched sandstone roofs and dramatically curved flying, lead roofs seem to want to carry it to heaven. The architectural language is original, owing more perhaps to Tolkien than to ecclesiastical towers. As the centre is built around a courtyard, which opens at an angle on to a dramatically foreshortened view of the top of the great abbey tower, the echoes of the cloister are present without being over emphasised.

Inside the centre Cullinan displays his conviction that structure and the construction process should be expressed. The steel frame can be seen beneath the timber roofing joists, bolts and dowels are also visible throughout. The sense of an architect playing with a parts kit is emphasised by the architect's decision to utilise a colourful, even childlike palette on elements of the timber ceiling (in the restaurant, the sensation of being in the hall of a rather progressive new primary school is only just avoided). But the architectural jollity is refreshing and the centre should indeed have a sense of both pleasure and education.

I enjoyed the frisson of an architectural experiment, admired the marriage of materials, and appreciated the air of anticipation provided by the siting and landscaping of the centre. I know from the time I have spent on the National Trust's architectural panel how hard it is to achieve the balance between the undisturbed silence of historic places and the need to provide for large numbers of visitors. Honeypots mean bees. At Fountains Abbey the new hive is a highly skilled creation.

Sponsorship/**Colin Tweedy**

Acts of derring-do

Sponsors are usually either ignored by the media or criticised for playing safe and only supporting the classical repertoire and old masters. It is therefore quite novel for them to come under attack from journalists for being too daring.

Several sponsors have drawn flak from their critics in the last few weeks by supporting the contemporary arts in all disciplines. But it is in the area of the visual arts that a battle has really been engaged.

The Turner Prize was attacked on Channel 4 with sweeping accusations of a "modern arts mafia"; and Damien Hirst's decaying carcasses provided a frisson of controversy at the elegant black-tie dinner to celebrate the prize at The Tate Gallery.

Journalists queued up on either side to defend or attack the winners of the Barclays' Young Artist award. The Wilson Twins' photographs of battered rooms where a murder may have taken place lent a different angle on corporate hospitality suites.

BP's sponsorship of the third re-hang of The Tate was attacked by Brian Sewell, a critic not known to pull his punches; he urged BP to suspend its support of the Tate, presumably to teach Nicholas Serota, the director, a lesson for daring to wake people up.

★

So, as sponsors line up with contemporary artists at their most demanding and the battle rages with the critics, here comes the next brave sponsor – *NatWest*.

The NatWest 90s Prize for Art is a deliberate attempt to strike a balance between the warring factions.

Only those entrants who have mastered basic artistic skills will win. However, at the official announcement at The Royal Society of Arts on April 29, the next chapter in this exciting drama will be on display. The NatWest prize and its judges – Anthony Mould (chairman), Chantal Joffe (last year's winner), Craigie Aitchison and Diana Rigg – are going to show that there is life beyond the narrow band of London arts schools that scooped many of the other prizes. Who said sponsors were afraid of controversy?

★

One part of the media that cannot be accused of attacking sponsors, because it has a deliberate policy to ignore them, is the BBC.

The charter renewal of the BBC in 1996 has pushed the corporation into debating its future with its consumers. At a recent seminar on the future of the BBC as a cultural patron, the most lively debate concerned the failure of the BBC to credit sponsors adequately. Though the delegates were told by the corporation that things had improved, no one believed it.

The BBC's case was not helped when everyone realised that the BBC is about to publish updated guidelines on sponsorship without bothering to discuss them with the Association for Business Sponsorship of the Arts – or, for that matter, with anyone else in the arts or sports field. The guidelines, which were written five years ago and are happily ignored by everyone in the sports field but ruthlessly adhered to by the arts programmers, could be replaced by even more draconian rules.

The BBC has yet to make up its mind whether it wants sponsorship for programmes. Nobody is pushing them. But surely it could get its act together in giving the arts a fair deal when it comes to the coverage of sponsored arts events being broadcast? Watch this sound bite.

★

The new award for great patrons of the arts from Montblanc, the pen maker, is welcome news. Not that Montblanc is giving prizes to sponsors – that is ABSA's job, through its award schemes throughout the country.

Montblanc's prizes were awarded at a grand ceremony at the Opéra-Comique in Paris last Wednesday to the great and the good of the cultural world.

One of the four categories, the "private vision award", went to Simon Rattle, music director of the City of Birmingham Symphony Orchestra; he shared the award with Lincoln Kirstein, one of the founders of the New York City Ballet. Each winner received $25,000 for the arts organisation of his choice; and a Montblanc "Octavian" pen.

Simon Rattle announced that his cheque would go to save an educational project with his orchestra that would have otherwise been lost due to cuts in public funds. Richard Eyre, the National Theatre's director, represented the UK on the judging panel and called on private sponsors to shame governments by their generosity – an interesting angle that the BBC might like to ponder.

★

Classic FM has confounded its critics by revealing that it has around 4.3m listeners. It is no surprise then to find it attracting business sponsorship. The latest to sign up is British Gas, which is to sponsor a new programme *Classical Gas* for 26 weeks in a package worth approximately £200,000.

★

British Telecom tops the chart of British sponsors and is therefore a most appropriate backer for ABSA's national conference at the Barbican this June, as well as other parts of the ABSA operation.

Evaluation will be the key topic of the conference, which will bring together ABSA's business members and the members of its development forum for arts managers. The debate should be lively as sponsors need more than ever to measure the benefits they are looking for if they are to justify their corporate budgets.

Colin Tweedy is director general of the Association for Business Sponsorship of the Arts

Jazz/**Garry Booth**

Ahmad Jamal

Miles Davis said of pianist Ahmad Jamal that he was "knocked out by his concept of space, his lightness of touch, his understatement, and the way he phrased notes and chords and passages". This was in 1953 and the beginning of an association that saw the late trumpet player incorporating much of the pianist's repertoire into his own.

Like the tenorist Sonny Rollins, who came to Davis's attention at the same time, Jamal has always sprinkled his own compositions over a repertoire of folksy standards – they share "Surrey With A Fringe On Top" as a favourite. Unlike Rollins, however, Jamal has traditionally dissected his preferred tunes with a lighter touch and usually in a trio setting.

Forty years on, the trio remains his chosen format but the sound has become richer, denser and if Jamal's concept and use of space, which so impressed and influenced Miles Davis remains, the vortex of sound which he created on Thursday in the octagon of the Union Chapel in Islington, London, puts his spatial awareness to another, more vigorous use.

Accompanied by the churning drums of Yuron Israel and the discreetly busy bass of John Heard, Jamal was in a vociferous mood. Taking material from the new disc, *Live in Paris '92 (Birdology 849 408)*, a mixture of originals and traditionals, versions of *Caravan* and his own *Acorn* were almost torrential. Waving over his shoulder to Israel and baring his teeth approvingly at Heard, the pianist's right hand trilled transparently while the left surged thickly. Where on record the Jamal pulse is magnified by tough electric bass, it was Israel's near funky drumming that projected the trio's sound into the vaulted arches of the Union Chapel.

Quotes came thick and fast, from Bizet's *Carmen* to bebop's Monk, the bars measured by satisfied affirmations and cries from Jamal. Rising from the piano stool to put extra weight behind crashing block chords or leaning into Heard's preoccupied rhythm, the pianist cascaded through a short set until the flow was interrupted by an untimely intermission.

Opera

Queen of Spades

For the English National Opera on Saturday, Chaikovsky's Pushkin opera was revived by their departing director of productions, David Pountney, in his own decade-old staging, and conducted by their soon-to-be music director, Sian Edwards. Overall it was deadly: stiff, unmoving, *interminable*. A lot of prommers must be ENO regulars too; on the strength of the marvellous *Queen of Spades* prom from Glyndebourne last summer, many of them may have booked to see it fully staged at the Coliseum – and some of them were probably among the many customers who left without apologies after Act 2.

The performances cannot but improve as the run continues. Some of the components are excellent, though on this first night they added up to nothing much. Miss Edwards drew strong, cultivated Chaikovsky playing from the band. It struck me for the first time that the funereal interlude in Act 3 *must* stem from the third-act entr'acte of *Parsifal*, which Chaikovsky knew but professed to despise.

In principle, for the obsessional anti-hero of Pushkin's novella the high-strung brightness of Graeme Matheson-Bruce's tenor was entirely apt. Peter Sidom, as the urbane Tomsky, was a model of clarity and man-of-the-world slyness; Anthony Michaels-Moore rose splendidly and with sonorous dignity to the central aria of Prince Yeletsky. Unfortunately Matheson-Bruce often sang slightly, distressingly flat, and his supposed *inamorata* Lisa (Janice Cairns, unbecomingly costumed) was both harsh *and* flat. As the old countess, Patricia Payne was very nearly a pantomime dame: not her fault.

Nearly everybody's words were laudably clear, which let us hear all too well just how leaden and banal the English translation is. In an opera so full of arias in slowish, gently confessional mode, a stilted text makes a heavy burden. In any case, extracting plausible dramatic performances from the principals seems to have had low priority in this production.

It is one of Pountney's "white dreams", swathed in as much gauze as his later, far stronger production of Janáček's *Osud*. It has its visual moments, largely in the style of Romantic ballet – some supernumerary dancing witches suggest childhood memories of a Robert Helpmann show – but the stage forces are deployed so coldly and formally that only potently affecting lead singers might break through the ice. Lacking those, the evening remains grimly frigid.

Patricia Payne

David Murray

Supported by the Friends of English National Opera

Recital/**David Murray**

Bashmet: a great violist

Over any few years, there is scarcely ever more than one viola player who can fill international concert halls. These days he is Yuri Bashmet, who (all but) filled the Barbican Hall on Thursday – and with a programme of stern sobriety. That was a feat. In fact Schubert's "Arpeggione" Sonata, with which he began, is not normally expected to be so sober; but Bashmet expounded it with all his customary poise and intensity as if there were no joker anywhere in the pack.

There is room for a contrary opinion: that when Schubert fulfilled his commission for the *arpeggione* (a species of bass viol, now extinct) he traded both upon its comical capacity for jumping between registers – which Bashmet's viola did with cool grace – and on its natural bent toward popular jollity, in the second subject of the Allegro moderato and most of the Finale. In those places there was no trace of a smile from Bashmet. Yet he expanded beautifully into the little Adagio, which can rarely have struck such depths of feeling.

In place of the advertised Schnittke, we got a one-movement sonata by Nikolai Roslavets (1881-1944), a Russian avant-gardiste who sank beneath Stalinist disfavour. Some stretches of pure, late Skryabin, tritone-laden chords and all; a "rondo" form, in the same stretched sense that applies to Skryabin's last piano sonatas, with similar extremes of clattery frenzy and sudden, hushed intimations. Bar by bar, however, Roslavets's diction shares only a couple of tropes with Skryabin's; there is more formally controlled argument, and more than a whiff of practice-constrained-by-theory (he wrote treatises on advanced chord progressions). At the piano, whose role is at least as important as the viola's, Mikhail Muntian was fluent and clangorous as required.

Throughout that first half of the recital the audience was respectfully attentive, but not (I thought) much moved. In the circumstances the second half, allotted wholly to Shostakovich's last work, his op. 147 Viola Sonata, made a dour prospect: long, relentless, mostly slow, alternately grief-stricken and numb, with brief bursts of livid fury. The writing is cruelly spare, often reduced to sullen strings of single notes. Very few works of any composer are at once so expressively, nakedly personal and so disconsolate.

In this bleak territory, Bashmet is unequalled – and the veteran Muntian partnered Fyodor Druzkinin, Bashmet's teacher, in the first (posthumous) performance of the sonata in 1975. Their basilisk concentration compelled us to listen, forbade critical detachment: the lean lines, subtly plain and earth-coloured, spoke volumes. Since we live in fluey-cold times, several people in the Barbican audience were at the point of choking on coughs and sneezes during the Aria and Scherzo, but the entire hall held its breath for the agonised final Adagio. It was a discomforting experience – scathing, even; but indelible.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden Tonight, Wed, Sun and next Wed: Antonio Pappano conducts Giulio Chazalettes' new production of Bellini's I Capuleti e i Montecchi, with Lella Cuberli and Iris Vermillion. Tomorrow: Patrice Bart's production of Minkus' ballet Don Quixote. Thurs: Thomas Hampson, accompanied by Daniel Barenboim, sings Schubert's Schwanengesang and Mahler's Lieder eines fahrenden Gesellen. Fri and next Mon: Barenboim conducts Harry Kupfer's production of Parsifal, with Reiner Goldberg, John Tomlinson and Deborah Polaski. Sat: Barenboim conducts two new Béjart ballets, music by Schoenberg and Bartok (200 4762)

Deutsche Oper Tonight and next Mon: Carmen with Baltsa and Shicoff. Tomorrow: Bejart's Ring Round the Ring. Wed: Aida. Thurs: Fidelio with Nadine Secunde. Fri: Tannhäuser. Sat: three Stravinsky ballets, choreographed by Balanchine and Béjart. Sun: Die Zauberflöte (341 0249)

Komische Oper Tonight: Flemming Flindt's ballet The Three Musketeers. Tomorrow and next Mon: Entführung. Wed: La boheme. Thurs: ballet double bill. Fri: Gluck's Orfeo. Sat: Rienzi. Sun: Die Zauberflöte (229 2555)

CONCERTS

Schauspielhaus Tonight: Yoel Levi conducts Berlin Symphony Orchestra in works by Beethoven and Bruckner, with piano soloist Christian Zacharias. Tomorrow: Krzysztof Penderecki conducts his own St Luke's Passion. Wed: Hartmut Haenchen conducts CPE Bach Orchestra in works by Bach, Mozart and Haydn. Thurs: Cherubini Quartet plays Haydn, Bartok and Beethoven. Fri: Achim Zimmermann conducts Berlin Symphony Orchestra and Singakademie in Carl Heinrich Graun's 1755 Passion oratorio Der Tod Jesu. Sat: Anne Gastinel plays Rakhmaninov and Beethoven cello sonatas. Sun: Valery Afanassiev plays Schubert piano sonatas. Mon: concertos and cantatas by Bach and Vivaldi, with Camerata Musica (2090 2156)

Philharmonie Tonight and Sat: Berlin Baroque Orchestra. Tomorrow: Eliahu Inbal conducts Orchestra of the Deutsche Oper in Mahler's Ninth Symphony. Thurs and Fri: Bach's Matthew Passion. Sun and next Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra and Chorus in Mahler's Third Symphony (2548 8232)

THEATRE

A new musical based on the life of Marlene Dietrich, starring Frederike von Stechow, has its world premiere on Wed at Theater am Kurfürstendamm (300 8000). Deutsches Theater repertory includes a new production of The Iceman Cometh, Eugene O'Neill's majestic play about pipedreams gone sour (2844 1225). DT-Kammerspiele has the first German production of Howard Brenton's Berlin Bertie (2844 1226). Ariel Dorfman's moral thriller Death and the Maiden has just opened at Renaissance Theater, directed by Gerhard Klingenberg (312 4202). Anthony Burgess' stage adaptation of Clockwork Orange can be seen at Volksbühne am Rosa Luxemburg Platz (3087 4661). The Schaubühne revives Andrea Breth's production of Schnitzler's The Lonely Road on Thurs (890020)

● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ NEW YORK

THEATRE

● Putting It Together: a celebration of Stephen Sondheim's music, with Julie Andrews. Just opened (Manhattan Theatre Club, at City Center, 131 West 55th St, 581 1212)

● Candida: a new production of G.B.Shaw's play (Roundabout, Broadway at 45th St, 869 8400)

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

● Oleanna: David Mamet takes on political correctness, sexual harassment and a number of other topics in this brief, powerful drama (Orpheum, 126 Second Ave at 8th St, 307 4100)

● A Couple of Blaguards: actors Frank and Malachy McCourt reminisce about their Irish childhood (Irish Arts Center, 553 West 51st St, 757 3318)

● Fool Moon: Bill Irwin and David Shiner are the inspired clowns in this humorous show (Richard Rodgers, 226 West 46th St, 221 1211)

OPERA/DANCE

This week's programme at the Met includes Lucia di Lammermoor with Sumi Jo and Alfredo Kraus (tonight and Fri, also next Mon and Thurs), plus La traviata tomorrow with Tiziana Fabbricini as Violetta. Donald Runnciles conducts Die Zauberflöte on Wed and Sat (also Tues and Fri next week), and there is a final performance of Ariadne auf Naxos on Thurs. The season ends on May 1 (362 6000). New York City Ballet's Spring season opens at State Theater on April 22 with Sleeping Beauty (870 5570)

CONCERTS

Peter Serkin joins Guarneri Quartet at Alice Tully Hall on Wed for a programme including Dvorak's A major Piano Quintet and New York première of Henze's Piano Quintet. Thurs: Neil Rosenshein song recital, accompanied by Rudolf Firkusny (721 6500). Ivo Pogorelich gives a piano recital on Thurs at Carnegie Hall (247 7800). The New York Philharmonic is on tour in Europe. The next concert at Avery Fisher Hall is by Orchestra of St Luke's with André Previn on April 18 (875 5030)

JAZZ/CABARET

● Carlyle Hotel: Dixie Carter, an engaging performer with a strong voice and abundant Southern charm, is in residence at Café Carlyle for the next few weeks (Madison Ave at 76th St, 744 1600)

● Rainbow & Stars: a well-produced Rodgers and Hammerstein revue includes a fine group of young performers. Dining. Daily except Mon (30 Rockefeller Plaza, 632 5000)

● Bottom Line: a pleasant place to take in a show of folk or rock, despite the cramped quarters (15 West 4th St at Mercer St, 228 6300)

■ PARIS

DANCE/OPERA

Palais Garnier Compagnie Preljocaj in three ballets inspired by the Ballets Russes, daily till Fri (4742 5371)

Opéra Bastille Tonight: Friedemann Layer conducts first night of revival of Bob Wilson's production of Die Zauberflöte, with David Rendall and Cynthia Haymon (in repertory till April 27, next performances on Wed, Fri and next Mon). Next Tues: Robert Carsen's production of Manon Lescaut returns for five performances (4473 1300)

CONCERTS

Eglise Saint-Eustache Tonight: William Christie directs Les Arts Florissants in motets by Guillaume Bouzignac (4028 2840)

Opéra Comique Tonight: Armin Jordan conducts Ensemble Orchestral de Paris in works by Dutilleux, Fauré and Berlioz, with soprano Isabelle Vernet. Tomorrow: Borodin Quartet plays Beethoven and Schubert (4286 8883)

Châtelet Tonight, Wed, Fri: young singers of Lyric Opera Center Chicago. Wed (Auditorium): chamber music devoted to British composer James Dillon. Thurs: Cherubini Quartet plays Haydn (4028 2840)

Théâtre des Champs-Elysées Thurs: Libor Pesek conducts Orchestre National de France in works by Mahler and Schubert, with mezzo Jard van Nes (4720 3637)

Centre Pompidou Thurs: Hans Zender conducts Ensemble Modern in works by Stockhausen, Zender and others (4260 9427)

JAZZ/CABARET

Saxomania: four leading French saxophonists join forces for two weeks at Lionel Hampton Jazz Club. Opens tonight at 22.30, daily except Sun till April 17 (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● L'Homme Qui: Peter Brook's latest theatre piece, based on neurologist Oliver Sacks' book The man who thought his wife was a hat. Daily except Sun and Mon (Bouffes du Nord 4607 3450)

● John Gabriel Borkman: Luc Bondy's staging of the Ibsen play. Daily except Mon until May 12 (Théâtre national de l'Odéon 4441 3636)

● A 24-hour telephone guide to Paris entertainments is available in English by dialling 4720 8898

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Arts Guide

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandanavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

Samuel Brittan

Next stage for the franc fort

The french franc has been granted a stay of execution by the currency markets following the formation of a pro-EC government after the *parliamentary* elections. But it will only receive a full reprieve when it becomes clear that a politically acceptable method has been found of maintaining the *franc fort* into the future. Essentially this means that German interest rates must continue to fall, not too slowly, and with them the risk premium attaching to French rates.

The new prime minister Mr Edward Balladur has lost no time in underpinning the policy and the relationship with Germany on which it rests. He has arranged the earliest practical meeting with the German chancellor Mr Helmut Kohl and he may depart from protocol to meet the Bundesbank president Mr Helmut Schlesinger.

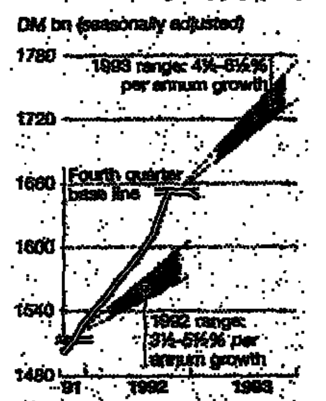
Some insight into the portfolio of ideas available to him can be obtained from a report. A French Perspective on Emu, published by the Commissariat General du Plan, just published in English. Since the demise of old-style French planning of the Commissariat has continued as a semi-official think-tank, licensed to go beyond the government line of the day.

Last autumn's crisis, says the report, "demonstrated the volume and irresistible weight of capital movements that an expected currency depreciation could generate". These events risked making monetary union, the arrival of which had been previously taken for granted, "seem a very remote and not very credible goal". With that prop taken away, it becomes questionable, say the authors, how far the strategy of maintaining the exchange rate mechanism for four to six years before the full transition to European Monetary Union can be maintained.

The authors therefore fly the kite of a "monetary Schengen" – named after a group of hard-core EC countries which agreed to dismantle their frontier formalities before other members were ready. The authors are careful to say that this would not affect the formal undertakings of the Maastricht treaty. Four concrete steps are proposed for the countries on the fast track:

- Formal commitment to ERM central rates and a possible reduction of fluctuation margins from 2¼ to 1 per cent;
- *All central banks to hold* reserves denominated in the currencies of partner countries;
- Strengthening of mutual

German money supply (M3)



The German money supply did not grow at all in the first two months of 1993, compared with the final quarter of 1992, which forms the target base. Growth was held back by distortions and special factors. The Bundesbank estimates that underlying monetary growth was within the target range but towards the top end.
Source: Bundesbank

support mechanisms for intra-marginal intervention;
- Central bank independence.

Mr Balladur has made a good start by announcing in his first week his intention to make the Banque de France independent by the summer. This is a move which the Bundesbank can only applaud. The suggestion about reserves is mainly cosmetic and should not be allowed to become a focus of controversy.

The Bundesbank cannot be expected to cheer from the rooftops the idea of more *extensive intervention to support* partner currencies. But the Commissariat legitimately points out that the Bundesbank has given just such support to the franc in the crises of the past few months, even when it did not suit immediate German interests. Indeed there could be a time when the D-Mark will require support itself.

The biggest Bundesbank opposition will be to any early narrowing of margins. It is possible to sympathise both with the Bundesbank's secret preference for wider margins and the French preference for narrower ones. For the present margins are too narrow for a managed exchange rate system and too wide to inspire confidence in permanently fixed rates.

The heart of the matter, however, is the Commissariat's suggestion that Germany should "agree to internationalise the formulation of its monetary policy" in advance of 1997. This is not outrageous so long as it does not conflict with price stability. Central bank independence implies freedom to implement monetary policy, not to chose the geographical area over which that policy applies.

The practical weight of Bundesbank objections will be much less once it is clear that further big reductions of German short-term interest rates will not stoke up inflation in Germany itself. The underlying rate of monetary expansion is believed to be within the 4½ per cent to 6½ per cent target corridor, but nearer the upper end. This, in practice, leaves a good deal of discretion about how far and how fast to reduce interest rates.

Facts such as the unexpectedly severe recession, modest *pay settlements* and the belated but welcome resistance of some German employers to unrealistic wage parity commitments in the east, are all signs that the battle against inflation is being won and that no loss of credibility need be involved if Germany monetary policy were to take a slightly more international and long-term approach.

Worse off at the end of the day

Norma Cohen looks at the effect on companies and shareholders of Budget changes to ACT

One might imagine that a Budget which reduced the tax burden on UK companies would be good news for shareholders. However, the largest blocks of shares are owened by tax-exempt pension funds which have suffered a significant blow from the changes in Advance Corporation Tax.

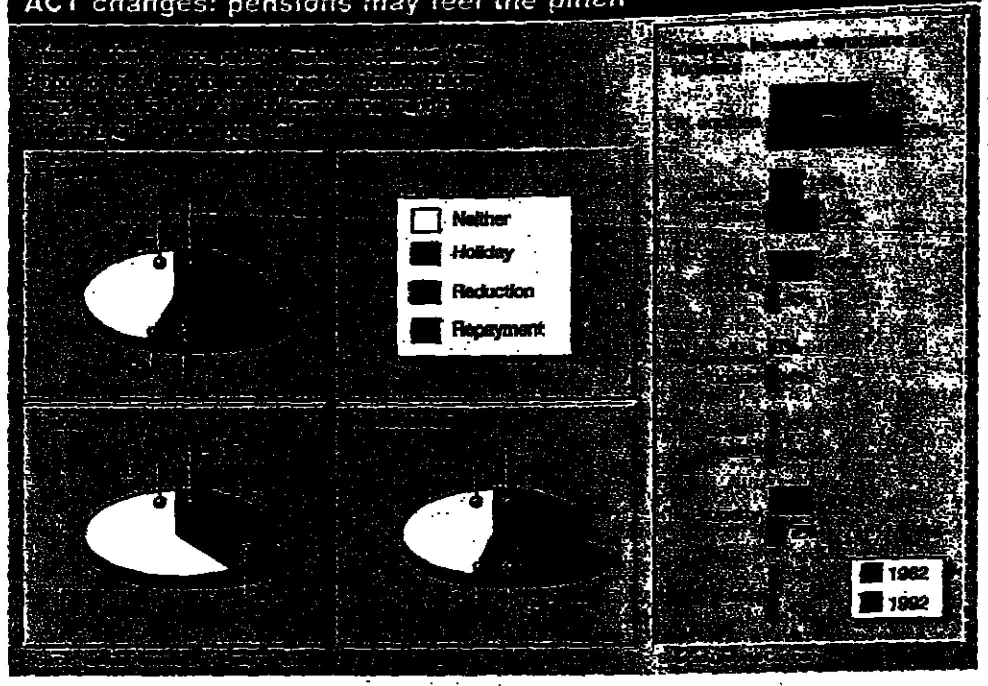
In time, this will adversely affect those companies which have set up pension funds for their employees; for these companies usually promise to make up any shortfall between contributions and the cost of providing pensions promised by the scheme. The extra pensions burden will offset the corporate gain from the easing of the costs imposed by ACT.

ACT is a percentage of a company's dividends which is levied as a down-payment on its ultimate "mainstream" corporation tax. Tax-exempt shareholders, along with pension funds, can reclaim the ACT the company has paid on their dividends.

The Budget reduced the rate of ACT from 25 per cent to 20 per cent and trimmed the amount tax-exempt shareholders can reclaim by the same amount. The effect is to cut the value of the total payments received by 6¼ per cent. Although there are offsetting benefits for companies, the government's tax take from companies and their shareholders will rise by £1bn a year.

How will these forces affect pension funds? Much depends on exactly how UK companies react to the ACT changes. In the past, companies have raised dividends, to protect shareholders from the impact of the tax changes. Between 1986 and 1988, ACT was reduced to 25 per cent from 30 per cent in line with a general reduction in tax rates.

ACT changes: pensions may feel the pinch



But that reduction, says Mr Andrew Wilson, research partner at consulting actuaries R Watson and Co, was phased in gradually, falling to 29 per cent in 1986, 27 per cent in 1987 and 25 per cent in 1988. More important, UK companies were doing so well that they could afford double-digit increases in their rate of dividend rises.

This time, although at least two companies – Rentokil and Unilever – have increased dividends with the specific aim of compensating investors for the tax changes, others are unlikely to follow suit.

They cannot afford it. Dividend cover – the ratio of current earnings to dividend expense – is now low by historical standards. Companies usually feel they need earnings of at least two and a half times dividend expense to be able to increase payouts. On average, earnings cover on the FT-Actuaries All-Share Index is only 1.7 times dividend expense.

Far from rising, payouts are under pressure. Dividends of the 800 or so companies making up the All-Share shrank ½ per cent in 1992 and have shrunk a further 1 percentage point in the first two months of this year. Mr Wilson estimates that it will take companies two years to make up the income lost to pension schemes.

The drop in dividend income is of crucial importance to pension schemes, which rely on these earnings to pay contributions. Mr Wilson estimates that a 6¼ per cent reduction in pension funds' UK dividend income will reduce it by about £500m per year. And because actuaries value assets based on dividend stream rather than cash flow, the change will cut some £10bn to £12bn off the value of UK pension funds.

"Companies will have to put in higher contributions or cut benefits," says Mr Wilson.

The first employers required to dig into their pockets will be those in declining industries with "mature" schemes – those with many pensioners and few contributors. Mr Roger

> **"I think that this is quite a clever move to reduce the tax breaks on pension schemes"**

Urwin, partner at R Watson, estimates that more than half of all UK pension funds are in the "mature" category.

For more fortunate companies, there will still be an impact in time. Many companies are not currently contributing to their pension funds: the funds are valuable enough not to need topping up. According to the National Association of Pension Funds, the industry trade association, 38 per cent of all British employers made no contribution to their pension scheme last year.

The ACT change "will hasten the day when companies have to begin making contributions again," Mr Wilson says.

"The big manufacturing companies, the big engineering firms are likely to be hard hit," said Mr Michael Pomery, partner at consulting actuaries Bacon and Woodrow. Mr Pomery cites the case of a client with a small scheme surplus whose trustees had planned to distribute that surplus as an enhancement to members' benefits. As a result of the tax change, the surplus is gone, Mr Pomery said.

Mr Duncan Roberts, pension finance manager at T&N, the engineering company, said the ACT change is likely to knock £20m off the company's pension scheme surplus when the next actuarial valuation begins this month. The company has made no contributions to the scheme for several years and is unlikely to do so for the moment, but the reduction in surplus will bring forward the time when they must resume.

Some pension bosses believe they can cope without too much trouble. Mr Paul Whitney, chief investment officer of CIN Management, the in-house manager of British Coal's pension scheme, says the tax change will cost his scheme £15m to £18m of income a year on its £7bn portfolio of UK shares. While the loss is substantial "it is not the end of the world", and investment strategies can be shuffled to help make up the income, he said.

For example, a fund could make up the lost income by switching into higher-yielding stocks – low-priced stocks with relatively high dividends. However, T&N's Mr Roberts believes such a strategy would expose a scheme to increased risks and reduce its scope to benefit from increases in share prices.

Even if pension funds can cope with the immediate loss of income, they fear that the new rules signal an increasingly hostile government attitude to the privileged tax status they have enjoyed.

"I think this is quite a clever move to reduce the tax breaks on pension schemes," said Mr Trevor Crowter, partner at KPMG Actuarial Services.

There are three other indications that the Treasury may have had this in mind.

First, Mr Lamont's Budget also included a freeze at £75,000 on the earnings cap, the maximum salary upon which pensions contributions can be based and still attract tax relief. At the present, this cap affects only high earners and only those who have changed jobs since June 1989. Over time, however, rising wages will push an increasingly high proportion of workers into this category, automatically reducing the tax benefits accorded to pensions.

Second, the government is reviewing the entire regulatory regime for pension schemes, through the Goode Committee. It is understood to be examining some aspects of tax policy.

And third, some government ministers have started to hint that laws for pension funds have allowed employers to benefit too fully from the tax treatment they are accorded; and that the long-term savings industry would benefit if the same rules applied to all methods of pension provision.

So, while the latest changes to pension fund taxation seem modest, the industry is waiting anxiously to discover whether they are the beginning of more radical reforms.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Best for France and Europe if franc floats

From Dr S J Popham.

Sir, The letter from L van den Muyzenberg (March 30) contains a very large level of misinformation. Since it is also typical of comments that one hears from French politicians, I feel it cannot go unanswered.

No serious commentator that I've read suggests that the franc would fall by 20 per cent if free floated; indeed, most say that the likely behaviour would be a small fall followed by a gradual rise back up to previous levels as German short term interest rates come down. How is this remotely inflationary?

The point of John Plender's article, "Le doomsday machine" (March 26), was not to argue that the French banks ought to be bailed out of their bad lending decisions but to illustrate the sort of deflationary forces that were gathering over the French economy and the problems this would put in the way of economic recovery, when the present draconian and wholly inappropriate monetary squeeze is finally relaxed.

France already has low inflation and how maintaining very high levels of real interest rates leads to investment is beyond me. Many people have said that long term rates are more important in France than, say, in Britain. But I would be willing to bet with anyone that long rates would also fall were the franc to float free.

To link one's currency to that of a sound money economy that normally moves in sync with one's own economy seems a very sensible idea. Unfortunately, that description of the German economy, in the wake of German reunification, is somewhat doubtful at the moment.

European exchange rate co-operation seems a very sensible long-term policy (some of the arguments for which he eloquently advances in his final paragraph). However, he must surely have noticed that the ERM has not recently been providing the sort of stable environment for doing business in Europe, after which he hankers. It is a pity that this sensible policy is being put at risk (and brought into disrepute) because the rules of the ERM are unable to cope satisfactorily with the present situation. Would it not be better for the franc to float free until economic conditions in Germany become more normal; better for the French economy, better for the longer term future of ERM, and better for the European economy.

Stephen J Popham,
The White House,
Grayswood,
Surrey GU27 2DJ

No wrong doing by Agusta on helicopter contract

From Mr Amadeo Caporaletti.

Sir, The article by David Gardner and Andrew Hill, "EC fears link to Italian scandal" (April 1), spoke of a possible involvement of Agusta in the payment of kickbacks for the acquisition of a contract for the procurement of helicopters for the Belgian Ministry of Defence. Agusta declares itself to be completely unconnected with any financial dealings directly or indirectly aimed at illegal purposes.

The contract for the procurement of 46 A109CM helicopters for the Belgian army was awarded to Agusta in December 1988 by the Belgian government after preliminary assessments and positive evaluation by the appointed parliamentary commission, and following an international competition held with the participation of the major helicopter manufacturers. The total value of the contract amounts to BFr6.6bn (1988 economic conditions).

Assembly and delivery of the helicopters is carried out by SABCA in Belgium according to the contractual commitments set out in the industrial compensation agreement which was the major factor in deciding the selection of the Agusta helicopters by the Belgian government.

As of today, 18 helicopters have been delivered with the remainder to be supplied by the end of 1993.

Amedeo Caporaletti,
managing director,
Agusta,
Milan

Crediting Pinochet for free market in Latin America

From Mr Adrian Day.

Sir, If Observer does not know what General Pinochet has done to deserve a Latin American Award ("Obverse side", March 8), he obviously has not asked the right Latin Americans, and certainly not the majority of Chileans. General Pinochet prevented that beautiful Latin American country from becoming a Soviet satellite. He is also responsible for introducing the free market concepts into Chile and, by example, into the rest of Latin America.

Therefore, ironically, more than any other single man, Pinochet is responsible for the transition of Latin America from the old-style military coup and counter-coup of the 1960s and 1970s to the open, free market, democratic continent that it is today.

It is worth pointing out that Pinochet is the only dictator, to my knowledge, ever voluntarily to step down from office. This was after a referendum he himself called, in which he received a higher percentage of the total vote than did John Major's conservatives at the last election (or Bill Clinton in the last American election!). I do not think that either of those two would put themselves to an up-down referendum at this point.

Pinochet, with his military trappings, is perhaps easy to ridicule; but Latin America has much to thank him for.

Adrian Day,
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Annapolis,
Maryland 21401USA

A heedless course of action

From Mr Mark Oxenham.

Sir, Having returned from many years overseas, I have been particularly impressed by the high standard and efficiency of the Royal Mail and therefore am baffled that privatisation of this service is being considered.

To have guaranteed delivery of first class mail the next day, Saturday deliveries, two deliveries per day prior to Christmas and to contribute substantial profits to the Treasury is an achievement of which the employees and management of the Post Office can be proud. I am convinced that citizens of other countries would be prepared to pay far more in postal charges for the privilege of this quality of service.

Those of us who have endured sporadic and indifferent postal services can only shake our heads in bewilderment that such a heedless course of action is being contemplated. The old aphorism must ring true in this case: "If it isn't broken, don't fix it."

Mark Oxenham,
21 Hampton Gardens,
Sawbridgeworth,
Hertfordshire CM21 0AN

Funds for business support

From Baroness Denton of Wakefield.

Sir, Your article "Brown warns of cut in spending on unemployed" (March 16) suggested that government funding for business support services, including those that will be delivered through the pilot One Stop Shop business centres, will be reduced by 14 per cent for the coming year.

This is not the case and is based on a misunderstanding of the basis for the supply estimates figures which, because of the transfer of small firms responsibilities between departments after the election, do not necessarily compare like with like across the 1992-93 and 1993-94 financial years. The position is that the 1992-93 budget for local business support in England was £154m in 1993-94 and in 1993-94 will be £169m, an increase of £15m.

Denton of Wakefield,
parliamentary under-secretary of state for consumer affairs and small firms,
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123 Victoria Street,
London SW1E 6RB

FINANCIAL TIMES
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Monday April 5 1993

Living with US trade policy

WASHINGTON'S self-righteous indignation over the sins, actual and alleged, of its trading partners is both irritating and depressing. *But it is not a justification* for despair. Much of the posturing is for domestic effect *and also* reflects the early days of an inexperienced administration with a predominantly domestic focus. Many in the administration, not *least the president,* understand the US interest in multilateral trade. It is up to others, above all the European Community, to help them focus on the wider picture.

It will not be that easy, given the unwillingness of the administration to think trade policy out from first principles. Mr Mickey Kantor, President Clinton's feisty trade representative, argues that policy will be "pragmatic", "realistic" and "results-oriented". *Not for* him, he insists, are debates over the "theology" of free trade versus protectionism. Yet only last week Mr Kantor said that "we see a trade policy *emerging that is* more active, anticipatory, inclusive and flexible." This may not be theology, but it is obscure. And what of the insistence on "fairness"? Can anything *be* more *theological* than a notion that can be neither defined with *precision, nor mea*sured with accuracy. And, if "fairness" means anything, what can be "fair" about reliance on clout *available* only to a superpower?

The starting point has to be an understanding of what trade is for? Trade's aim is to import things more cheaply than when made at home. In short, "it's the imports, stupid." The problem with much trade policy is that it is not based on this truth. *This is* true of "fair trade" law, whose aim is to make imports more expensive *than they need be. The policy* is "pragmatic", but largely in the sense that it buys more political support than it loses.

Current US priorities are likely to fail the test of "pragmatism" in far more than merely this fundamental sense. *The North Ameri*can Free Trade Agreement is economically important, but it cannot offer as much to the US as the Uruguay Round of multilateral trade negotiations. *Similarly,* what has made more than 60 countries liberalise unilaterally since the start of the Uruguay Round in 1986 is recognition that such liberalism was *in their own* interest. But the more they are told that they owe liberalism *to the US,* the less politically acceptable such liberalism is likely to be.

The end of the cold war has provided what may turn out to be a unique opportunity for establishing a liberal trading system with a truly global coverage. For the new administration this opportunity still has a relatively *low* priority. But this *is no more than a period* of transition. What could turn it into something more prolonged than that would be a decision by the EC, encouraged by the new *French government,* to take the US gauntlet up prematurely.

Mr Clinton is still likely to obtain from Congress a relatively unencumbered renewal of the *"fast track"* authority needed to complete NAFTA and the Uruguay Round. The US could then be once more the source of both the ideas and the energy to move global trade policy forward. In the meantime, it is up to the EC above *all to stop the global trade show* from running off the road.

Latin risks

AFTER a decade in which it was relentlessly snubbed, Latin America is once again in the enthusiastic embrace of the world's financiers. The last time this happened, the relationship ended in tears. Will the renewed affair enjoy a happier conclusion? There are many reasons why it should.

Most Latin governments, with the exception of Brazil, are managing their economies more effectively than in the early 1970s: budget deficits are down and countries such as Mexico are in surplus. Governments have cut tariffs and ended import *quotas; they have privatised state indus*try and held to tight monetary and fiscal policies. These have been important steps to improving economic efficiency and have resulted in renewed *capital flows* which have been encouraged by *low returns* in more established markets.

In most countries, these inflows are smaller in comparison with the size of the economies than *they were in the 1970s.* They are also more varied than the predominantly bank-financed foreign currency flows of the 1970s. A significant component is invested in equity and an *important part of* that is direct investment, yielding results in technology transfer and enhancing labour skills. Yet while growth has picked up, only in one country, Chile, has there been a true breakthrough. Its economy expanded 10.4 *per cent* last year while *inflation* fell to 12 per cent. For years the country in Latin America with the lowest savings, it now boasts a domestic savings rate of over 20 *per cent of GDP.*

This is in *large* part thanks to ambitious pension fund reform, now being copied elsewhere in the region. Chile is otherwise well positioned for future strong and stable growth yet this has required a decade or more of economic reforms. Most Latin American countries have been reforming for a shorter period. In Mexico, where economic reform is other*wise furthest advanced,* growth is still sluggish as old industrial capacity closes down in the face of tough foreign *competition.* A big current account deficit is being financed in part by large inflows of short-term capital, a significant reversal of which could have severe long-term consequences. Argentina has cured hyperinflation but at the cost of an exchange rate which is torturing domestic industry. In Venezuela, economic reform meets social protest; in Brazil, it has hardly been tried.

Where reform is advancing, a new order of economic legislation *is being embarked upon. Govern*ments will also have to focus on longer term issues such as education, health care, poverty and taxation. Renewed optimism about *the region must therefore be* mixed with caution.

Trial of Patience

THE *Concorde team of* medical researchers should be congratulated for carrying their trial of the leading Aids drug AZT through to its unexpected conclusion, announced on *Friday. They had* courageously resisted strong pressure to abandon the study from colleagues, particularly in the US, who thought wrongly that they already *knew that AZT would* benefit people infected with HIV.

As it turned out, the modest benefits found after a year's AZT treatment – the point at which three smaller US trials were stopped – had disappeared by the *end of the three-year Concorde* study. The drug failed to delay the onset of Aids symptoms.

This is desperately sad for many thousands of HIV-positive people who had hoped AZT would hold the disease at bay. But it is a powerful vindication *of the patient* European approach to clinical trials, *as opposed to* the American tendency to rush to premature conclusions on inadequate evidence. In the long run this study will help people with HIV, by exposing the inadequacies of AZT and therefore making it easier for researchers to test *other* drugs.

This is not the first time a large European *clinical trial* has justified itself, after initial disapproval from American specialists who thought they knew the answer.

In the late 1980s US cardiologists attacked Isis-3, an Oxford University study of 46,000 heart attack victims who received *either an* expensive new "clot-buster" drug or a 30-*year-old treatment* to dissolve blood clots. A leading US newspaper even ran an editorial entitled "Human Sacrifice" which suggested *that it would be unethi*cal for doctors to take part in a trial comparing TPA, a glamorous biotechnology product, with the evidently inferior old streptokinase. *However,* the report of the Isis-3 study, published a year ago, *showed* that streptokinase saved as many lives as TPA and caused fewer strokes as a side-effect. This enabled hospitals to cut drug *bills* and reduce the number ofstrokes.

Large-scale clinical trials, in which groups of patients are given different treatments, can be highly effective in answering the big questions in medicine. One such question is whether drugs that reduce high levels of cholesterol *in the blood save lives.* Since excessive cholesterol is known to be an *important* cause of heart attacks, the answer might seem to be yes. But the existing clinical evidence is ambiguous and Oxford researchers are planning a £10m trial, in which 10,000 people *take* a cholesterol-lowering drug and *10,000 take placebo* (dummy) tablets for five years. This should *either* prove that the treatment works or, if not, save hundreds of millions of pounds a year in unnecessary drug bills.

In the field of Aids research, the understandable impatience *of HIV* activists has made it hard for drug companies *or government* agencies to organise large enough clinical trials to give worthwhile results. The Concorde study shows why these attitudes must change.

Michael Prowse considers the options facing the Clinton administration as it wrestles with reform of US healthcare

Fitness plan for body and soul

When President Bill Clinton sends healthcare reform *plans* to Congress next month, he will be proposing social and economic change of a scale and complexity seen only twice before in US history – during Lyndon Johnson's "Great Society" of the 1960s and *Franklin Roosevelt's "New Deal" of* the 1930s.

Healthcare accounts for about one seventh of US gross domestic product, making it the nation's largest business and a sector that, economically, is more significant than all US export industries combined. Its political clout is more than commensurate with its economic muscle: when Mr Clinton's task force held a public hearing in Washington *last week,* representatives of 160 special interest groups – from the American *Medical Association to* the National Farmers Union – turned up to give evidence.

Needless to say, they opposed many of the changes the White *House* is expected to propose, and could not agree on the principles that should guide *reform.*

Mr Clinton's fundamental goals are easily understood and hard to quarrel with. He wants to bring the US into line with other industrial countries by:

● Giving all citizens a legally enforceable right to a standard package of health benefits. At present some 35m people (15 per cent of *the population) have no insurance* cover, and 100,000 people a month are estimated to be losing coverage as a result of corporate cuts, unemployment or sickness – which makes them "bad risks".

● Reducing the uncontrolled escalation of healthcare costs through a reform of the healthcare industry involving "managed competition" *between providers of healthcare* and the imposition of "global budgets" or ceilings on total spending. In the past three decades healthcare spending has grown twice as fast as the rest of the economy.

Achieving these goals, however, raises a seemingly endless series of complex questions that are likely to be resolved only after protracted debate in Congress and intense lobbying by interest groups.

The first thorny question is what to include in the basic package of guaranteed benefits. Oregon state has generated enormous controversy by openly drawing up a set of *healthcare priorities for* its *public* programme and declining to fund treatments that are either unlikely to succeed or too expensive or both.

The standard benefits package would *have to include most doctors'* services and routine hospital acute care. But what about organ transplants and experimental drugs for treating cancer? What about the cost of prescription drugs, which are not covered by Medicare, the *federal scheme for the elderly?* What about abortion, which Congress has never previously agreed to finance with taxpayer dollars? What about mental health care and long-term nursing home care, which are heavily restricted even in generous private insurance schemes, yet which Mr Clinton has indicated he wants to make more available?

If many of these items were included, the expenditure on healthcare could balloon: the federal government, at a minimum, would have to upgrade the benefits provided for the elderly under Medicare, at a cost of perhaps $20bn (£13.6bn) a year.

A further unresolved question is who should decide what benefits to include in the standard package and when it should be improved to reflect technological change. *The* task force is considering setting up a National Health Board, loosely modelled on the Federal Reserve Board. Yet in a nation unaccustomed to any form of deliberate restraint in healthcare, such decisions would be far more contentious than those on interest rates. Ultimately Congress and the White House would have to decide.

But deciding what everybody has *a right to* is *only* the first tricky issue. Mr Clinton then has to ensure that everybody is covered and find an acceptable means of controlling costs in the longer term. He also has to decide how much freedom to give individual states, *whose existing* healthcare systems vary tremendously, partly as a result of differences in wealth and population density.

The fundamental framework for reform envisaged by the task force is an uneasy amalgamation of ideas *put forward by analysts with very* different philosophical beliefs about the role of government. Mr Clinton is impressed by aspects of the "managed competition" schemes that Mr Alain Enthoven, a business professor at Stanford University, has been refining for years with the help of a group of experts who meet regularly at Jackson Hole, Wyo*ming. But he wants to supplement* them with budget controls long favoured by left-wing Democrats. (In *the* late 1980s, Mr Enthoven influenced healthcare reform in Britain by *advocating an "internal* market" – a form of managed competition – within the UK National Health Service.)

Like most analysts, Mr Enthoven concedes that *unsupervised* competition in US healthcare has led to runaway cost inflation and worrying gaps in insurance coverage, especially in the small business sector. The central innovation of managed competition is to require individuals and small companies to purchase care collectively through intermediaries or sponsors that would negotiate terms with competing health plans offered by networks of insurers, hospitals and doctors in the private sector.

The sponsors, now generally known as a "health insurance purchasing co-operatives" (HIPCs, pro*nounced "hippicks"*) would *act* as conduits for large pools of citizens and thus have the market clout to force doctors and hospitals to provide high-quality care at lower prices, *for example* by replacing traditional fee-for-service medicine with more economical alternatives, such as the pre-paid plans offered by Health Maintenance Organisations. They would also regulate local health markets, ensuring that *all certified health plans offered* at least the minimum guaranteed package of benefits on the same terms to all applicants, regardless of age, sex or health status.

In most variants of managed competition, the current practice of unrestricted tax relief for corporate health schemes would be ended: tax deductibility would be limited to the cost of the cheapest plan in any area offering the standard benefits package. *The theory is that the* combination of competition and fiscal incentives would control health costs without the need for bureaucratic controls on the private sector.

Managed competition has never been tested. But there are some indications that shifting more people into HMOs and other forms of managed care would reduce costs. *Mr James Robinson of the Univer*sity of California at Berkely recently analysed health plans used by Bank of America employees in California. In 1989 the average expenditure per employee enrolled in an HMO was $1,853; average spending on employees who opted for traditional fee-for-service medicine was $2,968. Only about 10 per cent of this cost difference reflected the fact that enrollees in the HMO tended to be healthier than those who opted for an unrestricted choice of physicians and hospitals.

The problem with many managed competition schemes is that employers and individuals are not obliged to purchase insurance, although subsidies might be provided for small companies, low *income workers and the unem*ployed. Universal health cover is thus not guaranteed. And since premiums are freely negotiated between the HIPCs and networks of providers, there is no certainty that costs would be controlled.

Mr Clinton's goals are hard to quarrel with. He wants to bring the US into line with other industrial countries.

Mr Clinton is thus expected to supplement managed competition in two ways, both foreshadowed in the innovative healthcare reform plan proposed last year by Mr John Garamendi, the insurance commissioner for California. The Clinton plan is expected to:

● Achieve universal access by requiring all employers to insure workers, but ease the burden by subsidising the cost of premiums *for employees of small companies* (80 per cent of the currently uninsured population are members of families whose heads are employed). Task force working papers *suggest the share of costs* employers would have to meet might range from 50 per cent for the smallest companies to 80 per cent for the largest. Making employees *responsible for the remainder would* encourage people to choose the cheapest plan certified by the local HIPC as providing the federally approved standard package of benefits.

The administration may phase out the Medicaid programme that currently provides insurance for about half of people living below the official poverty line. *Public sub*sidies for the unemployed and poor might instead be paid directly to local HIPCs which would enroll them in the cheapest health plan offering the *standard* benefits package. Care of the poor and middle income groups would thus be integrated.

● Control costs by imposing some form of a "global budget" on the healthcare sector. Mr Paul Starr, a health analyst at Princeton University and senior adviser to the Clinton team, has proposed what he calls "benchmark budgeting". In effect the federal government would stipulate a maximum allowable rate *of increase in the premium charged* for the standard benefits package. In addition, a more flexible target would be set for discretionary spending by individuals and companies who wanted to purchase more generous health plans. The cap and *target, argues Mr Starr, could be set* by the president and Congress on advice from his economic advisers and the National Health Board.

The advantage of a cap on premium growth is that it avoids the bureaucracy of direct controls on the price and volume of medical services (an option which many prominent Democrats including Mr Mario Cuomo, governor of New York state, are still urging). At the same time, however, the networks of competing doctors and hospitals would find themselves subject to an overall spending limit. Like the medical profession in all other developed *countries, they would have to* ration the supply of expensive new forms of treatment, but the trade-offs would be determined locally rather than in Washington.

The Clinton plan is theoretically attractive. But turning abstract ideas into practical proposals will be an immense task. Perhaps the biggest challenge lies in creating *new institutions. How quickly,* for example, could a national network of HIPCs be established? And what exactly would be the status and powers of these bodies? Should they be public corporations or non-profit private sector bodies subject to political oversight?

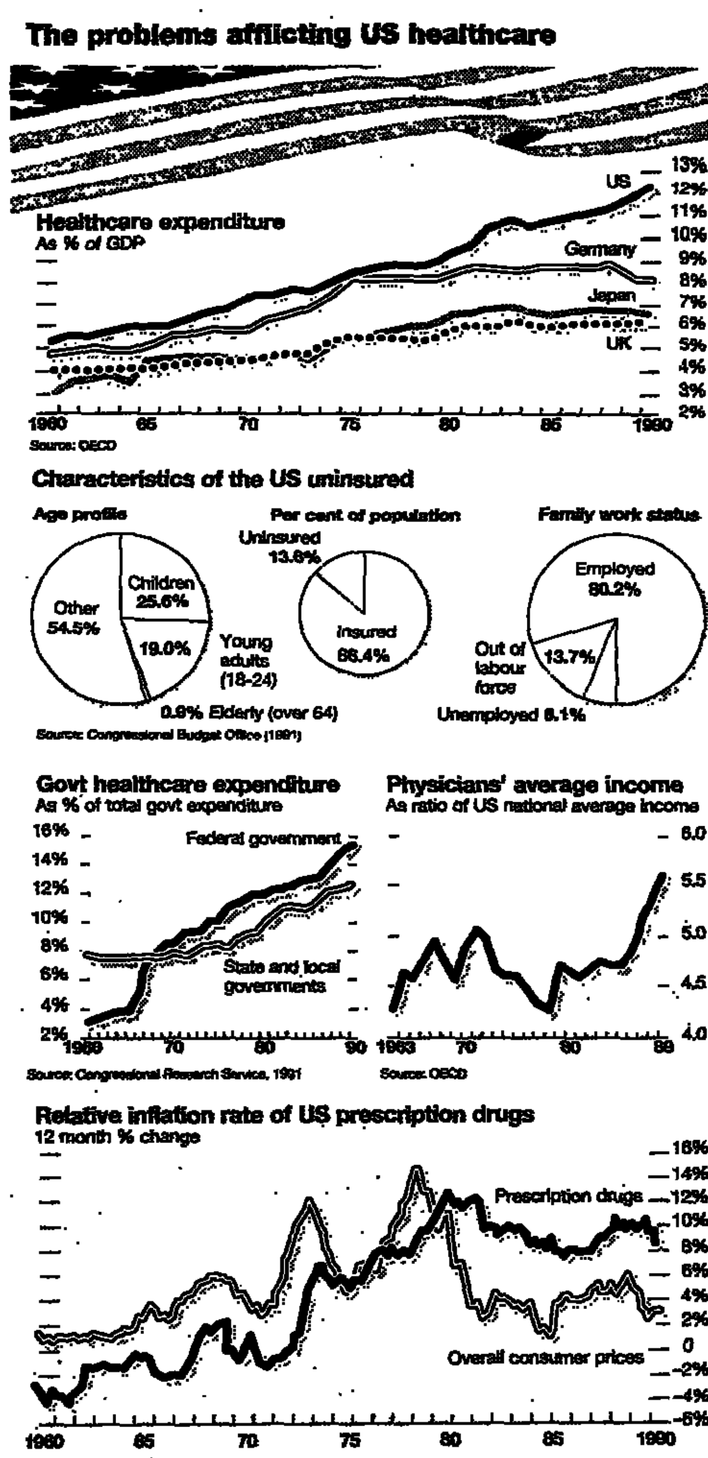
Then there is knotty issue of paying for the reforms. Bringing healthcare coverage to the uninsured, providing subsidies for small business and improving the package of benefits offered could cost an extra $90bn a year (1.5 per cent of national output), perhaps more. The reforms will only gradually reduce *the rate of growth of spending.*

Mr Clinton is expected to raise "sin" taxes on tobacco, alcohol and guns but this would cover only a portion of the required revenue. He *may also propose new taxes on hos*pitals and doctors. The big question, however, is whether he has the courage sharply to restrict the tax-deductibility of employer-paid healthcare, *a middle-class perk* which costs the Treasury about $90bn a year. Tough restrictions would increase the relative attractions of economical health plans, such as HMOs, which are disliked by many Americans because they *impose restrictions on choice of* physicians.

The transition to a new system also threatens severely to disrupt one of the few sectors that has *steadily created jobs in recent* years. Mr Uwe Reinhardt, a health care analyst at Princeton University, reckons that managed competition could throw many specialists out of work (on average HMOs require only 125 physicians per 100,000 enrollees, less than half the number in traditional fee for service medicine.) The restructuring is also likely to provoke a wave of mergers and job cuts in the health insurance industry, *sparking comparisons* with the "downsizing of defence".

Healthcare reform makes Mr Clinton's budget-cutting economic plan look like a gentle warm-up exercise. *It will affect the future of every* family and business in the nation. Yet in spite of the formidable problems, there is a good chance that Mr Clinton will succeed.

*The contradictions and inefficien*cies of the present system are widely regarded as intolerable: a recent NBC/Wall Street Journal poll showed that three quarters of voters *believe a "complete overhaul" of* the system is needed. Mr Clinton has the intellect and communication skills to convince the nation that change is now less threatening than the status quo.



OBSERVER

Nought action spells trouble

■ *A sure sign that* all is not well with a country's paper is when there are too many zeros to fit on the currency traders' computer screens. Both Italy and Brazil have been *sufferring* such embarrassment of late.

The problem has been most acute in Brazil where the ever weakening cruzeiro now sells at 40,000 to the pound and rising daily. President Itamar Franco refuses to make *traders' life easier by lopping off* three zeros and introducing a new currency, because this would be a blow to his country's national pride.

Having publicly rebuked his last finance minister for suggesting such a move, *Franco has not* been convinced by the planning *minister's* idea to rename his currency the 'strong cruzeiro'.

In the meantime the more enterprising Brazilian businessmen are starting to take matters into their own hands by creating their own currency units. Lorenzetti bathroom *fitters, for example,* is now quoting prices in URLs, the Lorenzetti Referential Unit each of which is currently worth 22,983.63 cruzeiros. Prices will remain fixed in URLs. But the URL will, of course, accompany the roughly one per cent a *day* inflation.

The problem of too many noughts is proving infectious. Italy has also been afflicted following the lira's fall through the L1000 mark against the D-Mark on Friday. Reuters, which provides a large share of the dealing equipment used in the currency markets, was one of the first to smell trouble when its machines started to go on the blink.

The company's terminals are set up to take only three figures before the decimal point on the lira/D-Mark cross rate. So, when the lira crossed from L999 to L1000 for the first time, the computer *system started rejecting the quotes.* For a brief period, London dealers reported DM1 as being worth L000.00.

"Not in our lifetime," was the comment of one 23-year-old dealer.

'Perhaps we shouldn't have eaten *the canary*'

Full circle

■ *The chattering classes have been* droning on for years about the way Britain's high streets have been overwhelmed by a tidal wave of building societies, estate agents and tweely-named antique shops. Where were the real shops, they asked, *the friendly old-fashioned* shops – cobblers, greengrocers, fishmongers?

Now the recession is starting to deprive them of this subject of conversation. Does Highgate high street in north London represent the thin end of the wedge?

Two of the big building societies *have already closed down* expensively purchased estate agency branches there. And now a shop that used to specialise in elaborate antique mirrors has been replaced with an old-fashioned greengrocer.

Whatever next: a traditional ironmonger selling mops, brushes and galvanised iron pails?

Mao-thballed

■ Only a dash of colour (red, perhaps) can save the politically correct 'Mao jacket', if China's fashion designers are to be believed.

The cheerless blue or grey high-collared jackets that were the *stern revolutionary* uniforms of Mao Zedong's day are selling so poorly in China these days that even a 60 per cent discount cannot shift them from the warehouses, according to yesterday's China Daily newspaper.

Beijing's Meidu Garment Factory – chosen by the Ministry of Light Industry as a leader in quality Mao jackets – has ceased production and shops are clearing them from their shelves to make way for more stylish and pricey, western brand names.

"The first thing to do to restore the Mao jacket's popularity is to brighten up the colour," one garment designer said.

Big blue chipped

■ As Louis Gerstner goes through the gates of *IBM* headquarters in Armonk, NY, other senior *managers* will be heading in the opposite direction. First to go was Mary Lee Turner, vice-president of communications, who had reported directly to John Akers, Gerstner's predecessor. Turner, who comes from the "no comment" school of press *relations,* retired after 26 years at IBM. No surprise, then, that no reason was given for her departure.

Bonus time

■ When it comes to new ideas on performance-related pay, it's hard to beat the Americans.

Take yesterday's Sunday Mirror *exclusive* about a Californian high school football team which suddenly started to fire on all cylinders after the coach introduced a new bonus scheme.

Although details of the bonus scheme have still to come *out* in court, it is alleged that the coach's wife gave the team an incentive by rewarding them on a sliding scale. A good pass deserved a kiss and a cuddle, *tackling the* opposition quarterback got heavy petting, and so on. The team's assistant coach says the team got carried away because of his boss's obsession with victory.

By contrast, GKN executive chairman Sir David Lees' bonus scheme, revealed in the latest accounts, seems rather tame. Sir David has waived his performance related bonus of £42,750 and agreed that *it will only become payable* when GKN's earnings exceed the £100m mark – provided this occurs prior to 1997.

Given that GKN earned £48.4m last year, it sounds a rather demanding target, until its remembered that GKN earned £120m in 1989.

Night thoughts

■ "In our factories it takes only eight workers to produce a car," a Japanese executive told a counterpart from eastern Europe, "how many does it take you?"

"Nine," the man replied, then lay awake *worrying whether he* should have admitted the real figure was nearer 900. The Japanese lay awake too. What on earth could that ninth worker be doing?

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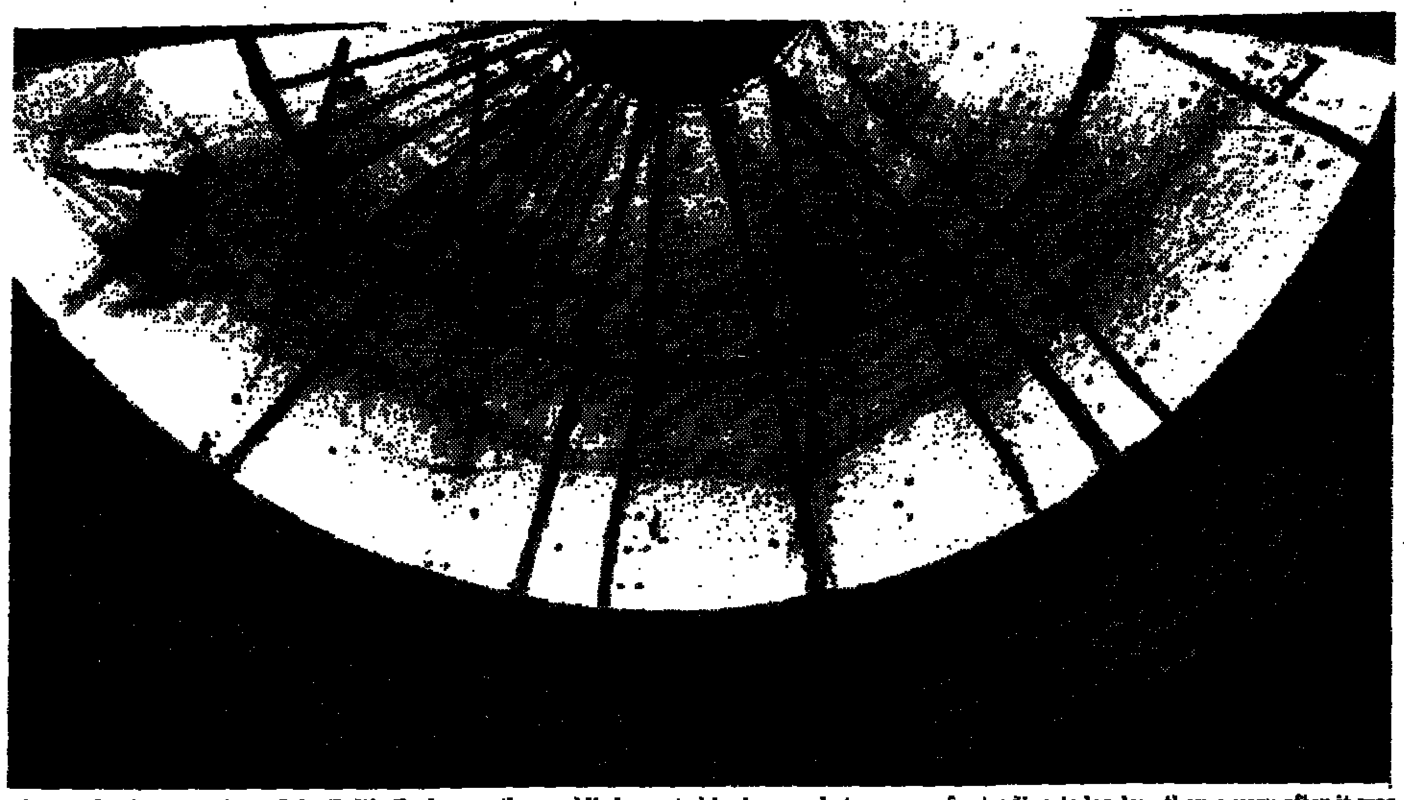


The London headquarters of the Baltic Exchange, the world's largest shipping market, reopens for trading today less than a year after it was wrecked by an Irish Republican Army bomb which killed three people. The Baltic accounts for more than half the world's bulk cargo chartering business and its 1,700 members earn £800m ($1.14bn) commission income a year on deals worth tens of billions of pounds.

Prospects of more broadly-based coalition dwindle

Rift between two main Italian parties deepens

By Haig Simonian in Milan

THE PROSPECTS of a more broadly-based coalition government being formed after Italy's *constitutional referendums on* April 18 dwindled yesterday after the rift deepened between two of the most important parties expected to participate.

Mr Achille Occhetto, leader of the Democratic Party of the Left (PDS), attacked attempts by the majority Christian Democrats to cast doubt on "supergrasses" who have accused senior Christian Democrat politicians of collaborating with organised crime.

The participation of the PDS, currently in opposition, in a more broadly-based coalition after the referendums is seen as vital if Italy is to have the stronger and more *stable government able to* pass electoral reform and boost confidence in the economy.

Last week the leaders of the *Christian Democratic party lead*ership called on magistrates to investigate whether police collaborators were implicating prominent Christian Democrat politicians to discredit the party.

The move followed last *month's formal warning* served by magistrates in Palermo on Mr Giulio Andreotti, a veteran Christian Democrat and seven times prime minister, that he is under investigation for alleged links with the Mafia.

*Some Christian Democrat poli*ticians fear the leadership's challenge may backfire given the immense public support now enjoyed by *magistrates investiga*ting organised crime and corruption. Recently many prominent former ministers have been told by magistrates they are under investigation for alleged links with the Mafia or the Camorra, *its Neapolitan equivalent.*

Mr Occhetto said the Christian Democrats' tactics contradicted claims by Mr Mino Martinazzoli, *its new leader, that the party*, which has been the dominant force in Italian politics since 1945, *was being reformed. According to* Mr Occhetto, Mr Martinazzoli was a prisoner of the most conservative forces within the party.

In Naples, *interrogations* continued over the weekend into new strands of the corruption investigations. Mr Mario Artali, managing director of the big state-controlled SME foods group, was interrogated for several *hours on allegations that the* company, to be partly privatised, provided illegal funds to the Socialist party's newspaper.

Separately in Naples, Mr Benito Visca, secretary of the provincial PDS branch, was interrogated by magistrates investigating the privatisation of the city's refuse collection services.

● *Mr Renato Curcio*, leader of the left-wing terrorist Red Brigades, which was active in Italy in the 1970s, could soon be *offered a limited form of freedom* after 17 years in prison.

Y13,000bn LDP package

Continued from Page 1

list is for early purchase of land for public works schemes. Other rail and telecommunications projects listed are already part of *government spending plans.*

A surge in stock prices and the assertion by some prominent Japanese economists that the econ*omy has turned* around have complicated the talks for the spending package. Mr Hiroshi Mitsuzuka, heading the *LDP's* package committee, had earlier suggested that support for the stock market and assistance for *ailing banks would be included.*

But both these measures are unpopular among ordinary Japanese, as is the proposal to buy land to support property prices, as these ideas are seen as an LDP response to demands by corporate supporters. *Most Japanese* would prefer that the package contained income tax cuts, which Mr Mitsuzuka said "may be considered at a later date".

There is also public anger that one of the biggest beneficiaries will be the construction industry, at the centre of a scandal over illegal donations to the LDP. Prosecutors allege that contrac*tors routinely rig bids for* public works projects and give a share of their earnings to LDP officials.

Meanwhile the *Finance Minis*try, which will have the final say on the spending package, has been urging the LDP to consider *more modest outlays.*

British brewers fail productivity test

By Guy de Jonquières, Consumer Industries Editor

THE LIST prices which British brewers charge trade customers are the highest in Europe, while the UK is the only country whose *brewing industry has failed to* improve its productivity in recent years, according to stockbroker *Lehman Brothers.*

The UK trade price of canned and bottled standard lager, at £117 per hectolitre – equivalent to *about 66p a pint – is twice the* level in France and the Netherlands, the two cheapest countries, according to a study by the broker.

The UK list price of draught lager, at £85 per hectolitre, compares with prices *as low as £47* in France and £56 in Spain. The study, based on exchange rates prevailing in the middle of *last month, compares prices of popu*lar lagers of similar quality and alcohol content, including Heineken, *Stella Artois and Holsten.*

The prices exclude tax and do not take account of discounts, which have recently widened in the UK to *as much as* 65 per cent. However, Mr John Wakely, author of the study, says special deals for trade customers are common in most of Europe.

The study says German brewers cite a list price of £115 per *hectolitre for* draught and packaged lager supplied direct to trade customers – the same as charged by their wholesalers. However, *it says the prices which* the wholesalers pay the brewers are much lower.

The study finds that brewers' *productivity increases, measured* by hectolitres per employee, ranged from 3 per cent in Norway to 23 per cent in Ireland between 1989 and 1991. However, it fell 11 per cent in Britain, the only European country to suffer *a decline.*

High transport costs have limited beer imports to less than 10 per cent of total consumption in *most European countries.* But Mr Wakeley argues that cross-frontier competition is set to grow, and will be encouraged by large price differentials.

He forecasts that declining beer consumption, due to changing *demographic trends*, health concerns and tighter regulation, will lead to steadily increased pressure on *European brewers to* look beyond their national markets.

The study expects some of the most aggressive cross-border *competition to come from* Germany, where brands such as Warsteiner and Bitburger have recently achieved big market share gains. "The national oligopolies that characterise much of European brewing may slowly break *down*," it says.

Rocard ousts Socialist leader Fabius

Continued from Page 1

terday, *condemning* what he called "a petty palace revolt."

A group of younger Socialists, known as the *quadras* (for quadragenarians) because they are all in their forties, has become increasingly fed up with the Rocard-Fabius-Mitterrand internecine warfare in the party.

The *quadras'* leader, Mr François Hollande, who also runs Mr Delors's *official* political fan club, yesterday said Mr Rocard had behaved like a machine politician "of the worst kind", and called on him to resign from his new post.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	10	50	Frankfurt	C	9	48	Majorca	F	19	66	Oporto	F	14	57	Tenerife	C	19	66
				Brussels	F	6	43	Geneva	R	7	45	Malaga	S	24	75	Oslo	F	7	45	Tokyo	S	19	66
				Budapest	C	9	48	Gibraltar	S	23	73	Malta	F	16	61	Paris	F	11	52	Toronto †	Sn	0	32
Ajaccio	R	11	52	Buenos Aires	R	20	68	Glasgow	C	9	48	Manila	F	35	95	Prague	F	12	54	Tunis	S	18	64
Algiers	S	23	73	Cairo	S	25	77	Helsinki	F	5	41	Melbourne	S	25	77	Reykjavik	F	7	45	Valencia	F	21	70
Amsterdam	R	6	43	Cape Town		-	-	Hong Kong	C	27	81	Mexico City	C	28	82	Rhodes	S	17	63	Venice	S	13	55
Athens	F	14	57	Caracas		-	-	Innsbruck	F	13	55	Miami †	S	24	75	Rio de Janeiro		-	-	Vienna	S	11	52
Bahrain	S	23	73	Casablanca †	C	19	66	Inverness	F	7	45	Milan	F	10	50	Rome	F	13	55	Warsaw	C	7	45
Bangkok	F	36	97	Chicago †	S	-5	23	Islamabad	F	27	81	Montreal †	Fg	-2	28	Salzburg	S	12	54	Washington †	F	4	39
Barcelona	F	12	54	Cologne	R	10	50	Istanbul	S	17	63	Moscow	F	7	45	S'Francisco †	R	13	55	Zurich	R	9	48
Beijing	S	13	55	Copenhagen	R	5	41	Jakarta	R	31	88	Munich	F	11	52	Seoul	F	10	50				
Beirut	S	22	72	Corfu	F	12	54	Johannesburg		-	-	Nairobi	C	23	73	Singapore	T	26	79				
Belfast	S	8	46	Dallas †	C	12	54	Lisbon	C	16	61	Naples	F	15	59	Stockholm	F	4	39				
Belgrade	F	10	50	Dublin	F	10	50	London	F	10	50	Nassau	F	29	84	Strasbourg	R	7	45				
Berlin	C	9	48	Dubrovnik	F	12	54	Los Angeles †	C	15	59	New Delhi	S	29	84	Sydney	S	26	79				
Bermuda	F	19	66	Edinburgh	F	10	50	Luxembourg	R	4	39	New York †	F	3	37	Taipei	C	23	73				
Bombay	S	30	86	Faro	F	19	66	Madeira	F	18	64	Nice	F	13	55	Tangier	C	18	64				
Bordeaux	C	13	55	Florence	F	13	55	Madrid	F	15	59	Nicosia	S	21	70	Tel Aviv	S	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

No re-run planned after Grand National shambles

By Philip Rawstorne, Ian Hamilton Fazey and Stewart Dalby in Liverpool

THE 1993 Grand National, one of the world's most famous sporting events, will not be re-run after being declared void on Saturday amid scenes of chaos.

A global television audience of 300m and a racecourse crowd of 60,000, who paid seat prices ranging between £29 and £55 ($40-$78), *were witness to one of* the great shambles in British sporting history.

After the first start, Mr Keith Brown, the official starter, signalled with a red flag to stop the race.

After the second false start, in which some horses and jockeys again became entangled in the tape, Mr Brown's warning flag *failed to unfurl.*

About 30 of the 39 jockeys taking part continued to race. Some finished the 4½-mile course *despite attempts to stop them.*

One of the course commentators announced: "The race that is happening is not happening," to raucous laughter from thousands of spectators.

The starter was later booed *from the course as spectators* queued in heavy rain to get their money back from bookmakers.

Mr Peter Greenall, chairman of *Aintree racecourse near* Liverpool, said yesterday that after consultations with leading trainers, it had been decided that it *would not be practical to restage* the world's most famous steeplechase at the next meeting in November.

Bookmakers, preparing for a rush of punters today to reclaim about £75m staked on the horse *race at betting shops throughout* the country, said they would continue to press for a re-run.

Senior executives of bookmaker William Hill are *also to meet* today to decide whether to sue the racecourse for the £2m the company *claims it lost.*

Ladbroke said: "The damage done to the public image of racing is immeasurable both in Britain *and throughout the* world. This is the biggest sporting event for Britain, let alone racing, and we owe it to the British public to put it back, the sooner, the better."

Seagram, the Canadian drinks *group which sponsors* the race through its Martell label, registered disappointment at the outcome but showed no inclination to withdraw support for the race.

Mr Greenall said Aintree's overriding consideration was the *long-term image of the race.* "I am not as sceptical as many that the Grand National has been so dented," he said. "The race has been run for 150 years *and is* a special part of our heritage."

Stewards of the Jockey Club, racing's ruling body, are expected *to* begin *an inquiry today.* Their investigation could lead to changes in the system used to recall runners after a false start.

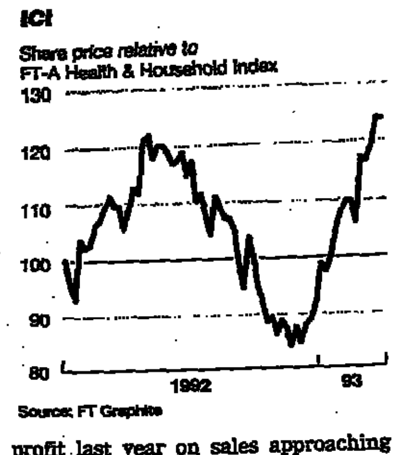
THE LEX COLUMN

Turned inside out

The conviction of Mr Thorold Mackie for insider dealing has reopened anxieties about legislation in this area, due back in parliament after *Easter*. The Mackie case appears to confirm the view that insider laws trap those undeserving of punishment while the real miscreants walk away scot free. Mr Mackie was not acting for personal gain. But on his advice, clients of Bell Laurie White were saved losses in *Shanks & McEwan. Is that just a good* analyst doing his job? Those who were not privy to the same information might reasonably think otherwise.

The case *shows how* easily the cosy relationships between companies, brokers' analysts and large investors can *fall foul of the existing law*. It could be a lot worse under the new legislation which so broadens definitions that even apparently innocuous information *may* be deemed illicit. Still, analysts' worst fears look unfounded. They are unlikely, for example, to be prosecuted for circulating *market*-moving forecasts to their clients. Were that the spirit of the age, there would be more prosecutions under existing legislation.

The real danger is that some companies will use the new legislation as an *excuse to clam up, except on set-piece* occasions such as annual results. That would be a pity. The more information in the public domain, the less insider dealing is a problem. Truly skilful analysts can then work out what it all means, just as they must now interpret more detailed financial information under the new accounting standards. Mr Mackie may have thought he was doing his job. But there would have been *no confusion over confiden*tiality – and no need to prosecute – if Shanks & McEwan had issued a profits warning the moment it realised earnings fell short of expectations.



Source: FT Graphite

Zeneca

With the timetable for demerger set, haggling over the valuation of Zeneca, the bio-science side of ICI, can begin in earnest. *Whatever the outcome, the* £1.3bn rights issue planned for June will be priced below the level envisaged by management when the plot was hatched. *The healthcare sector* has underperformed the market by 40 per cent since the start of 1992. Hence Zeneca may *emphasise its recovery* promise in speciality chemicals and agrochemicals, which together account for 60 per cent of sales.

Stripping out costs attributable to ICI, specialities made perhaps £45m profit last year on sales approaching £1bn. Assuming trading margins of 10 per cent – after *restructuring and* a favourable exchange rate – operating profits of £100m should be achieved in a good year. The outlook in agro*chemicals is clouded* by the reform of the CAP and pressure on prices. Any big advance on last year's £85m trading profit may require *weather conditions that give pests* a field day.

Pharmaceuticals may thus still have to provide the engine for growth. Zeneca *has survived the kind of* patent expiry now confronting others. If that makes it less risky, the yield should reflect as much. Since *the 1993 dividend* has been set at 27.5p, a share price of 700p – and a rights issue price some way below – would give a yield roughly in line *with* Glaxo. Zeneca would doubtless argue that a multiple of around 14 times this year's forecast earnings is a miserly assessment of its *drugs pipeline. With the market* so suspicious of pharmaceuticals, though, it will do well to get away with any more.

New issues

The raft of companies floating on the market seem to be enticing Sid into making a comeback. With returns on cash being whittled away by falling *interest rates* and the stock market buoyed by hopes of recovery, private investors seem prepared to take a punt on new issues once again. *Last* month's offering by David Lloyd Leisure was almost seven times oversubscribed. Westminster Health Care, a *nursing homes company, which is* raising £63m this week, has had requests for prospectuses from 45,000 potential investors.

Institutional investors, too, appear receptive to issues from smaller companies with a *big exposure* to the UK *economy*. Although the FT-SE 100 has performed somewhat laggardly this year, smaller capitalisation stocks have risen by almost 15 per cent. This *may encourage more* flotations. The timing would certainly seem to be ideal for management buy-out companies contemplating a return to the market. *MBOs which* have struggled through the recession appear in need of funds to finance expansion. But the window of opportunity may not *last.*

Secondary *issues from* quoted companies will continue to take money from shareholders' pockets. So far this year, almost £3bn has been raised in *rights* issues. Big equity issues from ICI and British Telecommunications will follow this summer while the government's *gilts programme* will drain further funds.

UK property

Property owners must have hoped that news of the proposed law reform concerning privity of *contract in com*mercial leases was an April Fool's joke. Sadly for them, the government seems deadly serious, although the *timing* of the legislation is unclear. The government did not go as far as many tenants wanted and refrained from changing *leases* retrospectively. *Nevertheless*, the reform will marginally lessen the security of income for property investors. It also represents a further shift in the *balance of power from* landlord to tenant, although bleating about it savaging property values can safely be dismissed. More worrying *for the long term was* the environment secretary's announcement that he will review upwards-only rent reviews, confidentiality clauses and procedures *for resolving disputes.* Any such changes to commercial leases would have far-reaching implications for property owners.

The *uncertainty may* deter those contemplating a return to direct investment. Overseas investors have found the security of *UK property* leases attractive with German funds buying about £600m of UK property last year. There are also signs that domestic funds are *again looking to* buy after budget changes which marginally increased property's relative appeal to gross funds. It would be *unsettling if the government prevari*cates. But the precedent on privity of contract is not good. The lord chancellor has already taken five years to act *on the Law Commission's main recom*mendations.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday April 5 1993

INSIDE

Ringing the changes for Telecom Italia

Italy's state-controlled telecommunications sector is set for unprecedented change after a cabinet committee approved a long-awaited restructuring. The committtee agreed the government's stake in the future single telecoms group could fall below 51 per cent. The timetable envisages the creation of Telecom Italia by the end of 1995. Page 15

A market is born

The sale of pollution rights by the US Environmental Protection Agency and the Chicago Board of Trade last week was the latest step in the evolution of a market. Even environmentalists like the concept. They can use their dollars to buy pollution rights and retire them. The pollution permits scheme will falter, however, if a liquid secondary market does not develop soon. Page 17

Record for Yankee bond market

The surge in issuance in the US corporate bond market, where underwriting volume reached a record level of more than $122bn in the first quarter, has been accompanied by a spate of financings by foreign borrowers in the US market. The so-called "Yankee" bond market – the US market for foreign borrowers – reached record volume of nearly $7bn in the first quarter, according to IFR Securities Data. Page 17

French group plans issue

Promodès, the French retailing group, plans to raise up to FFr2bn ($350m) from a convertible bond issue to reduce debt and prepare for acquisitions. Page 15

New obstacle for survival plan

Canadian Airlines International's survival plan, including a C$246m (US$195m) equity infusion from American Airlines, has run into a new obstacle. Page 15

New chairman at SelecTV

Mr Tony Brook, the former managing director of TVS Entertainment, yesterday became deputy chairman of SelecTV, the independent UK television production company rocked by allegations of irregularities and riven by internal disputes. Mr Brook, an executive with long experience in ITV, will succeed Mr Peter Laister as chairman of the company on May 1. Page 14

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.4 according to IBES, the consensus estimates service (Last week: 14.5). This compares with an IBES estimated p/e for the "500" of 18.1 (18.0) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.98 (17.91).

Market Statistics

Companies in this issue

Nikki Tait analyses the latest effects of a price war and other changes in the US cigarette market

Marlboro cowboy wants more territory

IF Jim Johnston, head of RJR Nabisco's huge US tobacco operations, knew he had a problem during the group's annual shareholder meeting Friday morning, his phlegmatic demeanour gave nothing away.

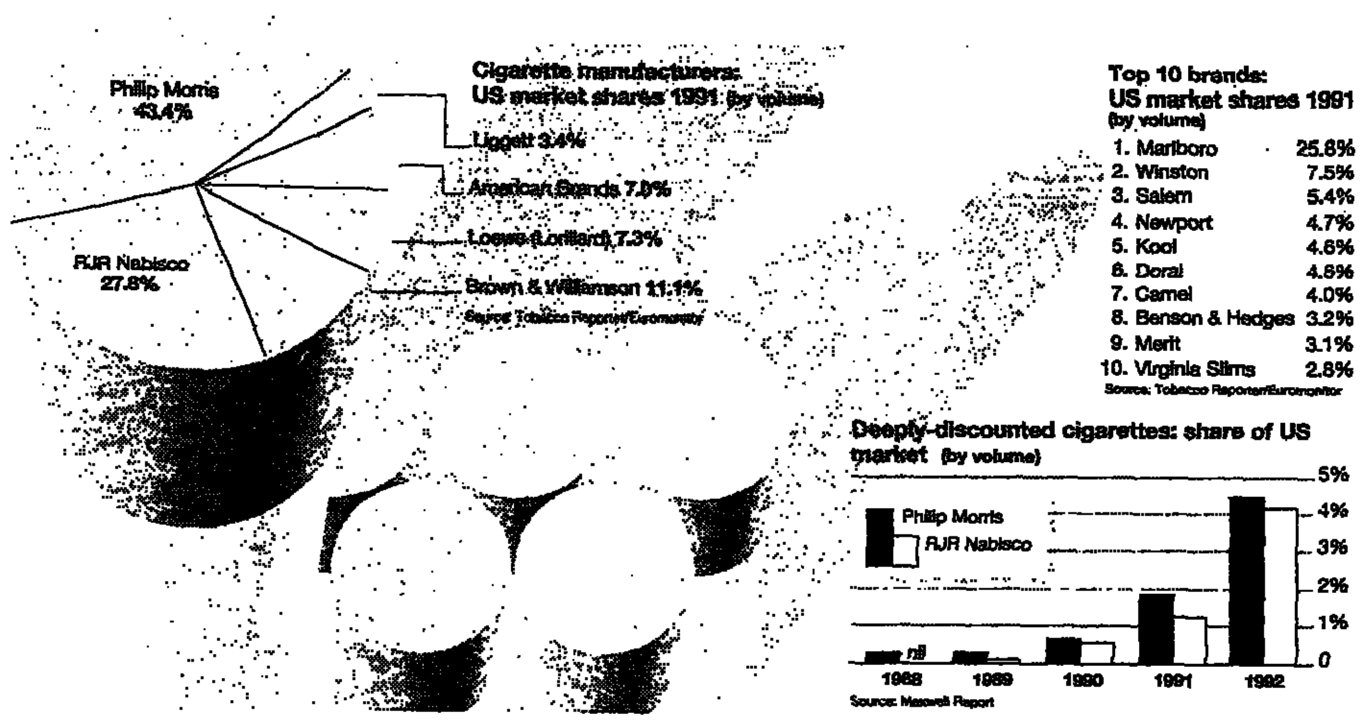
Only when the meeting finished did the RJR Nabisco executive concede that he had a big price war on his hands. "We will take appropriate steps to maintain our competitive positions in every segment of the market," said Mr Johnston, tersely.

The price war comes courtesy of Philip Morris, the leading tobacco manufacturer in the US. While RJR shareholders were gathering in Delaware, Morris was telling analysts in New York that it planned to slash the price of its top-selling Marlboro brand "to a level which has proven ... to be effective in encouraging consumers to make brand selections based on brand preferences rather than price".

This is widely interpreted as a price cut of about 40 cents a packet. That would reduce the retail cost of 20 Marlboro cigarettes from $2.10-$2.20 to $1.70-$1.80.

Morris will make these savings available by a mix of promotional schemes, including discount coupons and mail-shot offers, thus formally maintaining current wholesale prices. It will also extend promotional activity on its other full-priced brands, like Benson & Hedges. Finally, the company has set no time limit on the trade-war: "We expect to forgo any further price increases on premium brands for the foreseeable future," said Morris.

For the $46bn US cigarette market, Philip Morris' decision to defend market share rather than chase short-term profits is momentous. Together, Morris and RJR account for about 70 per cent of all cigarettes smoked in the US. Marlboro takes almost a quarter of the market – meaning it sells about 6bn packs a year. With some justification, Morris calls its leading brand "the world's most valuable trademark".



Top 10 brands: US market shares 1991 (by volume)

1. Marlboro	25.8%
2. Winston	7.5%
3. Salem	5.4%
4. Newport	4.7%
5. Kool	4.6%
6. Doral	4.8%
7. Camel	4.0%
8. Benson & Hedges	3.2%
9. Merit	3.1%
10. Virginia Slims	2.8%

Source: Tobacco Reporter/Euromonitor

But, formidable though Marlboro's position has been in the past, the brand has been badly threatened of late. Last year, for example, Marlboro shipments fell by 5.6 per cent. Market share, according to John Maxwell, analyst at Wheat, First Butcher, has been slipping since 1989.

There are two principal reasons for this. First, the entire tobacco industry is under assault from the health and anti-smoking lobbyists, and from the nation's tax-gatherers. While such pressures are not new – they largely explain why cigarette consumption has been declining by about 2.5 per cent a year in the US – they are particularly acute at present.

On the one hand, a recent Environmental Protection Agency report, claiming that "passive smoking" causes 3,000 cancer deaths a year, has almost certainly accelerated the move towards smoke-free restaurants and workplaces. On the other, the new "non-smoking" White House is widely expected to hike excise taxes on cigarettes to help fund changes in the nation's healthcare system. Many state governments are also contemplating a heavier fiscal burden on the industry.

Secondly, there has been the phenomenal growth of "discount" and "generic" cigarettes. These labels were virtually non-existent 10 years ago, and even as recently as 1990, accounted for less than one-fifth of all cigarette sales. Today, on Philip Morris' reckoning, they account for about 36 per cent.

These cheaper cigarettes retail for half the price of the traditional "full-priced" brands, like Marlboro or RJR's Winston and Salem. Ironically, they are made by the same companies which produce the full price brands.

Philip Morris started manufacturing and promoting its own discount labels in earnest a couple of years ago, when it realised the inroads cheaper cigarettes were making into the US tobacco market could not be ignored. RJR, having concentrated heavily on bolstering its full-price brands in the early 1990s, also redirected its attention to its discount brands in 1992.

But both companies know well that the profits made from these cheaper cigarettes are a fraction of the very juicy returns which the likes of Marlboro and Winston generate. It has been estimated that the profit per pack of Marlboro is about 10 times that made on a pack of the cheapest "discount" smokes.

So, given this background, analysts had little difficulty in interpreting the rationale behind Philip Morris's announcement on Friday. "This is not a new price war," said Roy Burry at Kidder Peabody. "It's the final blast in a price war which has already been going on. Philip Morris has come down with both feet on the market, and it's going destroy the discount brands."

The logic is simple: it will be impossible for the discount cigarettes to come down in price by a similar amount, so the price differential between full-priced and cheaper smokes will narrow. If Philip Morris is right, this smaller differential will mean that smokers' purchasing is governed by brand preference, not price. So Marlboro, with a classier image and a distinctive taste, should regain market share. The losers, meanwhile, would be the likes of Brown & Williamson, part of BAT Industries of the UK, and American Brands, which are heavily dependent on the lower-priced brands.

Will it work? Competitors, and some analysts, were quick to point out one obvious danger – namely, that Marlboro loses its carefully-cultivated premium image. "We view this as a defensive move, cheapening the Marlboro brand," said B&W. A second problem could also arise if consumers become resilient to future price increases, and Marlboro becomes mired.

What can be said with certainty is that Philip Morris' strategy will not come cheap. The company said that it expects operating profits from its US tobacco business to be down "by as much as 40 per cent" in 1993 as a result of this strategy. That goes to the heart of the Morris money-machine: in 1992, domestic tobacco produced an operating profit of $5.18bn, almost half the group total of $10.96bn. Analysts, who had been predicting earnings per share of approximately $6.45 for the group in 1993, quickly redid their sums. New estimates ranged between $4.75 and $5.15.

The situation at RJR Nabisco is every bit as gloomy – particularly given the company's heavy debt load, and current plans to divide its stock into two share classes, pegged to food and tobacco respectively. Analysts assume that RJR will have to follow Morris' pricing lead on its full-priced brands, with the result that domestic tobacco profits – which accounted for 58.8 per cent of group operating income last year – will also be savaged.

"It looks as if everyone will have to deal with lower profits for a while", says Barry Ziegler, at A.G. Edwards.

Standard Chartered to restructure management

By John Gapper, Banking Correspondent

STANDARD Chartered, the UK-based international banking group, is to reshape its management following the recruitment of Mr Peter Wood, finance director of Barclays, and the planned retirement of two of the bank's long-standing senior directors.

The changes, which may result in Mr Wood being given wider responsibilities than just being Standard's finance director, are likely to include a reallocation of responsibilities for the bank's treasury and merchant banking functions.

The bank last month announced a fall in pre-tax profits to £202m ($286m) for 1992 after incurring a £305m loss in India as a result of the Bombay securities trading scandal. It has been trying to strengthen its controls to prevent a repetition.

Mr Wood is taking over as finance director from Mr Richard Stein, but the bank is also looking outside for a replacement for Mr Alan Orsich, the deputy managing director in charge of global businesses, who is due to retire in November. Mr Malcolm Williamson has taken over as chief executive from Mr Rodney Galpin.

Mr Galpin is due to hand over the chairmanship of the bank to Mr Patrick Gillam, chairman of Asda, at the bank's annual general meeting in May.

The bank is likely to announce an interim change in its management structure within a month, and will then consider further how to allocate responsibilities under Mr Williamson after it recruits a replacement for Mr Orsich.

One possibility would be the appointment of a deputy chief executive under Mr Williamson.

Mr Wood, who was excluded from being considered as Barclays' chief executive by the decision to look outside the bank, would be a prime candidate. But the bank may not replace Mr Orsich's role as deputy managing director in this way.

One reason for giving Mr Orsich this responsibility was that he was a long-standing senior director of the bank when Mr Williamson was appointed.

The interim changes have been approved by the bank's board, and are being explained to the bank's management in regions such as Africa and the Asia Pacific. They are aimed at strengthening Standard's functional reporting lines.

The bank is thought to have examined ways of integrating its treasury function – which has come under Mr Orsich's global businesses division – with parts of its financial services division, including merchant banking.

The bank said yesterday that it could not comment on any management changes, but expected to make an announcement shortly. It said that any changes it would announce were unrelated to the Bombay securities trading losses.

Fifteen managers – including three in London – have already left the bank as a result of the Bombay incident. A further six have been reprimanded.

UK industrial policy set to enter a new era

Economics Notebook

By Peter Norman

NOW that the UK government has extricated itself from the coal débâcle, we can expect the Department of Trade and Industry to start playing a more prominent part in the economic life of the country.

In the weeks ahead, Mr Michael Heseltine, the trade and industry secretary, is likely to disclose more of his ideas for increasing industry's competitiveness in line with the government's new-found commitment to support manufacturing.

The DTI is maintaining a resolute silence about Mr Heseltine's plans. But those who fear that his pledge at last year's Conservative party conference to intervene to help British companies "before breakfast, before lunch, before tea and before dinner" means the UK is returning to discredited industrial policies of the 1970s may be in for a surprise.

Let there be no mistake. Mr Heseltine is an interventionist by the standards of the 1980s. He is busy establishing a new dialogue with industry that will lead to relatively frequent round-table discussions with top UK businessmen over industry's strategic goals. He prevailed on the Treasury in last year's Autumn Statement and last month's Budget to provide more support for exporters.

But this need not mean that the government is about to re-enter the business of trying to pick winners or support ailing industries or companies. It can be argued that his solution to the coal crisis was the minimum consistent with the will of Parliament. Mr Heseltine's refusal to mount a rescue for the UK operations of the Leyland-Daf commercial vehicle group suggests that he has no ambitions to revive the DTI as a rescuer of lame ducks.

Indeed, Mr Walter Eltis, who became Mr Heseltine's chief economic adviser last year, recently provided a timely reminder that a well-run macro-economic policy can be far more important for the future welfare of industry than any amount of specific support organised by the DTI.

Delivering the Esmée Fairbairn Lecture at Lancaster University, Mr Eltis explained how three main handicaps had caused British manufacturing industry to fall behind that of Germany and Japan. In his view, UK industry:

- has been inadequately profitable to cover interest costs;
- has had to live with "extraordinary volatility" of government policy, and;
- has allowed trade unions to influence the way companies are run to too great an extent.

In his lecture (which was given last November but published only last month), Mr Eltis identified the relative lack of profitability as the achilles heel of UK industry.

Figures from the Organisation for Economic Co-operation and Development in Paris show that despite some recovery, the UK business sector's net operating surplus (the surplus of net company income over wages and bought-in inputs) as a percentage of net capital stock consistently lagged that of the UK's leading industrial trading partners in the 1980s.

The upshot has been an industrial sector that has less financial margin for error, that lives in fear of its financiers and which is less able than foreign rivals to develop and market world-beating products. That the UK's company bosses have been obliged to spend their time on finance, avoiding bankruptcy, negotiating with trade unions and government and dealing with take-overs and mergers also explains the dominance of accountants among their ranks.

Mr Eltis says government has a vital role to play in resolving this state of affairs. But the role he prescribes might surprise those who see the DTI as a potential hot-bed of intervention in company affairs.

He argues that the predictability and stability of the macro-economic environment can swing the balance between success and failure for companies. In addition, the structure of taxation and public expenditure can have "a vital impact on industrial relations and the freedom with which managements can achieve and finance higher productivity and faster economic growth".

These appear to be big claims for a policy that seems reminiscent of the "hands-off" approach to industry pursued in the Thatcher years.

But Mr Eltis provides some persuasive arguments to support his case. It is precisely because average profitability is low in British industry that the predictability and stability of the cash flow to be expected from investments are especially important.

Government must therefore achieve low inflation and control its borrowing. Financial markets punish failures with higher interest rates and currency movements that can wipe out profits on longer term contracts. Mr Eltis cites research from the mid-1980s by Mr Sushil Wadhwani, now an economist with Goldman Sachs in London, to the effect that each 1 per cent addition to the inflation rate adds almost 6 per cent to the number of company insolvencies in the UK.

The importance of controlling government expenditure and limiting the impact of taxation on individuals and companies can be seen in the UK's greatly improved industrial relations, last Friday's transport strikes notwithstanding.

Real wages and profits grew strongly in UK industry in the 1980s, creating an environment where employees and manufacturers could gain from co-operation. Such a scenario would have been less likely if the state had channelled most of the increase in national income into the public sector.

The government's industrial policy, when finally disclosed, will contain all manner of specific measures that will be battened on to its increasingly pro-business macro-economic stance. Some, such as the abolition of the car tax, were introduced in the Autumn Statement. Others, such as the real freeze on business rates, came in the Budget. There is still much to do by way of cutting red tape and enabling small companies to grow.

In his lecture, Mr Eltis was not speaking for his boss. But it would be unusual if Mr Heseltine were to turn against a philosophy in which government facilitates the growth and recovery of manufacturing rather than force-feeding it.

Industrial policy in the 1990s may therefore see the Treasury and DTI in harmony rather than at loggerheads.

Deutsche strengthens Morgan Grenfell link

By David Waller in Frankfurt

FOR the first time since Deutsche Bank bought Morgan Grenfell just over three years ago, a senior executive of the parent bank will take a direct role in the management of the UK merchant bank's German operations.

Mr Jürgen Bilstein, 45, named last week as head of corporate finance at Deutsche Bank, has become one of four managing directors of Morgan Grenfell's German subsidiary.

This will give Deutsche its first direct influence over the day-to-day management of Morgan Grenfell in Germany, which with 30 professional staff is Germany's largest mergers and acquisitions operation.

"The changes have been implemented at my initiative," said Mr John Craven, chairman of Morgan Grenfell and board director of Deutsche Bank.

"Although Morgan Grenfell is head and shoulders above any other M&A house in Germany we felt we would be able to do a more effective job for our customers in Germany if we co-operated more closely with the parent bank."

Mr Bilstein will be reporting indirectly to Mr Craven on M&A issues, but as head of corporate finance at Deutsche Bank he will report to Mr Ronaldo Schmitz, the Deutsche board member responsible for corporate finance. Under the Deutsche Bank definition this does not include M&A.

On occasions German clients have asked Deutsche to advise on M&A transactions to the exclusion of Morgan Grenfell.

COMPANIES AND FINANCE

Tony Brook leads SelecTV changes

By Raymond Snoddy

MR TONY BROOK, the former managing director of TVS Entertainment, yesterday became deputy chairman of SelecTV, the independent television production company rocked by allegations of irregularities and riven by internal disputes.

Mr Brook, an executive with long experience in ITV, will succeed Mr Peter Laister as chairman of the company, which makes Birds Of A Feather and Lovejoy, on May 1.

A report into SelecTV's problems by its solicitors, Richards Butler, is believed to be heavily critical of the standards of corporate governance. The company has expanded from a turnover of £95,000 to £22m in less than four years.

Apart from a number of hit shows, its greatest asset is the 15% stake in Meridian, the ITV company for the south of England, which won its franchise from TVS.

Following the investigation which was prompted by the issuing of a writ against Mr Allan McKeown, the managing director, by Mr Michael Buckley (the former chairman) with the knowledge of Mr Laister, then an independent director, a number of changes are expected.

They will include SelecTV, expected to make a pre-tax profit of around £600,000 for 1992, appointing its own separate finance director and company secretary for the first time. The Richards Butler report is understood to clear Mr McKeown, who is married to the actress Tracey Ullman, of any wrong doing.

However, it is believed that a number of transactions agreed either verbally with various directors or through memos were not formally minuted by the board, as they should have been under company legislation.

Further legal action could flow from the Richards Butler report. Apart from the alleged irregularities mentioned in the writ, which was never served, the solicitors also looked into how SelecTV came to own 12m shares in a company called Wilton – the corporate vehicle of Mr Buckley, who was ousted as chairman of SelecTV last week.

The shares cost SelecTV £250,000, which has been written off.

The board will take legal advice this week on whether further action is needed as a result of the Richards Butler inquiry into the share deal.

SelecTV is expected to issue a statement to the Stock Exchange this morning.

Mr Buckley is calling for an independent legal investigation and is appealing to institutional shareholders of SelecTV to call an extraordinary general meeting to look at the all the issues involved.

Kitty Little makes £150,000

In view of the profit made in 1992 and the current trend, Kitty Little Group is returning to dividends with a payment of 1p. The last distribution was the final for 1990.

In what was a difficult year for the retail sector, with exports "surprisingly difficult", the USM-quoted group held its turnover at £4.74m (£4.23m) and produced a pre-tax profit of £150,000, compared with the loss of £306,000. There were no exceptional charges this time, against £218,000.

For the current year results in the first quarter were encouraging. "I expect every segment of the business to perform satisfactorily," said Mr Graham Webster, the chairman.

The group distributes four main product ranges – fragrances, reading glasses, sunglasses and luxury toilet bags. It had seen a fundamental change of profile from the original fragrance business heavily orientated towards Christmas, but that division still represented about 50 per cent of overall business.

Earnings per share were 1.05p (losses 1.96p). Cost of the dividend was £21,000 after waivers by the directors.

Holset buys into eastern Germany

By Andrew Baxter

HOLSET Engineering, the Huddersfield-based producer of turbochargers and other diesel engine parts owned by Cummins Engine of the US, has bought Dresden-based Kompressorenbau Bannewitz (KBB) from the Treuhand agency in eastern Germany.

Mr Alec Wallace, director and general manager for Holset turbochargers, said the deal filled "a huge hole" for the company, which had been looking for a manufacturing presence in Germany to add to its European facilities in the UK, France and Spain.

Holset has agreed to maintain the workforce at the current level of 165 for five years, and also to invest a total of DM3.5m.

KBB is currently making a loss, but Mr Wallace said it should be breaking even by the end of the year. "Its product range is pretty good, quality standards are acceptable, but it has very little marketing skill." One of the attractions for Holset was its complementary technology.

Holset, which has 2,000 employees worldwide, is not disclosing the price it paid for KBB. But usually such purchases from the Treuhand are for nominal amounts.

SmithKline chief gets 20% rise

Mr Bob Bauman, chief executive of drug company SmithKline Beecham, received a 20 per cent pay increase last year to take his annual salary past the £1.5m mark.

Mr Bauman, who has seen his high remuneration questioned by some shareholders in the past, received £1.02m of salary and benefits and a £571,000 bonus last year.

During the period, SmithKline's pre-tax profits increased 11.3 per cent.

Mr Henry Wendt, chairman, saw his pay fall from £978,000 to £541,000. This follows his December 1991 decision to spend only about half his time working for SmithKline.

Offering packaging for many new owners

Maggie Urry reports on the forthcoming £70m flotation of RPC Containers

HAVING four owners in six years might be enough for any company. But RPC Containers, which has enjoyed that distinction, is looking to bring in yet more new owners with a flotation, likely to value the rigid plastics packaging group at around £70m.

Its current owner is a venture capital backed management buy-out arranged only two years ago. The float is expected in the early summer, beating internal expectations of the earliest date for flotation.

The business was originally put together by Reed International in the days when it was in paper and packaging as well as in publishing. Reed bought two businesses, in 1983 and 1986, and built two factories, giving a total of five plants.

But in 1988 Reed decided to focus on publishing and a buy-out of the European paper and packaging side, under the name Reedpack, was arranged. Reedpack succumbed to a take over by Svenska Cellulosa of Sweden in 1990.

SCA decided to concentrate on paper and paper-based packaging so once again RPC was up for sale. The mbo beat trade buyers with a bid of £33.4m. SCA agreed to defer 40 per cent of the purchase price for three years, taking £13.5m of dividend free preference shares.

The float ought to raise more than enough to redeem £21.5m of preference shares, including SCA's. Some of the existing shareholders may use the chance to top-slice their investments.

Despite the regular ownership changes, the operating management of the company has seen surprising continuity with many directors dating back to Reed days.

RPC, which cannot use the Reed name, has flourished in the last two years. Despite a sluggish market for packaging, says Mr Ron Marsh, chief executive, its volumes have risen by 28 per cent over the period.

Products range from packaging for motor oil to orange juice, paint to pills, and tomato ketchup to baby wipes. It is aiming to expand in higher margin areas such as packaging for health and beauty products.

RPC is especially proud of a stone-look plastic cider flagon. Working with customers on designing new packaging – often part of their marketing strategy for a product – can be the key to winning business, and improving margins.

Ron Marsh (left), seen with fellow director Chris Sworn

Operating profits have risen from £2.8m in the year to end March 1991 to £5m in 1991-92 and are likely to show another significant rise in the year just ended.

Cash generation has been impressive too. The buy-out started life with £12m of debt but when the latest accounts are published that should have reduced that to only £1m or so. The five-year loan set up at the time of the buy-out was paid off before the end of the 1991-92 financial year.

Significantly, it was repaid from trading not from asset sales. Furthermore, RPC has been able to finance capital spending and make three acquisitions totalling between £4m and £5m.

One drawback might be the heavy reliance on the UK. But Mr Marsh has plans to expand in Europe. Exports are modest, he says, but growing fast. But what RPC really needs is a manufacturing base there, and that will have to be acquired.

Polymer prices could be another worry, as they represent about 30 per cent of turnover. These have been weak over the last two years and may now be set to rise again. Increasingly RPC has contracts with customers linking selling prices to raw material costs, automatically passing on increases.

There are no directly comparable companies on the stock market, so RPC's arrival is likely to generate interest.

BAe chairmen paid more despite plunge into loss

By Daniel Green

BRITISH AEROSPACE paid its chairmen 48 per cent more in 1992 in spite plunging to a £1.2bn loss, the biggest in UK corporate history.

At the same time, the new finance director, Mr Richard Lapthorne received £406,191 for six months' service. The figure, revealed in the annual report and accounts, includes an unpublished amount to compensate him for the loss of his pension rights at his previous job. This means that Mr Lapthorne earned more than BAe's chief executive, Mr Dick Evans.

The last two years have seen three BAe chairmen. Mr John Cahill took over from Sir Graham Day last May and earned more than 80 per cent of the year's £439,318 payout; Sir Roland Smith and Sir Graham shared £297,703 in 1991.

Four directors left the company last year as the losses mounted. Two of them, unnamed, shared £552,643 as part of their leaving packages.

The four who left were: Mr Dudley Eustace (finance), Mr Brian Cookson (legal), Mr Frank Saundry (personnel) and Mr Raymond Mould, chairman of the troubled property arm Arlington Securities.

The payments are unlikely to win new admirers for the company. BAe is still struggling to recover from the losses and the European Commission's order last month that it should repay £44.4m received in 1988 from the government to "sweeten" its purchase of Rover.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Sun Alliance (UK)	Unit of Hafnia (Denmark)	Insurance	£210m	Deal via Codan arm
Minorco (Luxembourg)	Lisheen (Ireland)	Mining	£48m	Minorco taking 50%
Unidare (Ireland)	Nasco (US)	Welding equipment	£40m	Performance related price
Cyprus Minerals (US)	McIlwraith McEacharn (Australia)	Transport and resources	£39m	Agreed offer
Golden Vale (Ireland)	Leckpatrick Holdings (UK)	Dairy processing	£21.7m	Agreed offer
Yorkshire Water (UK)	ALcontrol (France)	Environmental testing	13.9m	Continental Europe debut
Guardian Royal Exchange (UK)	Unit of Nationale Nederlanden (N'lands)	Insurance	£8m	Healthcare and personal move
Oji Paper/Sanyo-Kokusaku (Japan)	Pan Pac Mill (New Zealand)	Timber	£7m	Buying out Carter Holt Harvey
GKN (UK)	Getriebewerk Kirschau (Germany)	Agricultural machinery	nominal sum	Easter Germany buy
Medeva (UK)	Ribosepharm (Germany)	Pharmaceuticals	£52.3m	Medeva's German debut
Wolseley (UK)	Enertech Industries (Sweden)	Heating systems	£44.5m	Continues European push

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.04.93: Pool purchase price £/MWh	Final Prices for Trading on 27.03.93: Pool purchase price £/MWh	Final Prices for Trading on 27.03.93: Pool selling price £/MWh
0030	18.03	25.05	25.06
0100	18.03	29.63	30.92
0130	32.00	28.63	30.89
0200	36.00	29.63	30.84
0230	32.06	29.63	30.79
0300	32.06	26.45	27.61
0330	32.06	24.63	25.64
0400	27.56	20.45	21.31
0430	26.61	20.37	21.24
0500	24.29	17.57	17.57
0530	22.31	17.57	17.57
0600	22.31	17.57	17.57
0630	22.31	17.57	17.57
0700	22.31	17.57	17.57
0730	22.31	17.57	17.57
0800	18.14	17.57	17.57
0830	22.31	17.57	17.57
0900	22.31	25.02	25.02
0930	22.31	26.02	26.13
1000	22.31	20.65	21.55
1030	22.31	24.56	25.66
1100	27.65	24.56	25.65
1130	28.07	24.73	25.81
1200	30.63	26.50	27.65
1230	30.63	26.50	27.62
1300	30.63	26.50	27.62
1330	30.63	26.50	27.65
1400	18.63	24.73	25.84
1430	18.35	21.77	22.73
1500	18.14	21.77	22.74
1530	18.09	21.77	22.73
1600	18.09	21.77	22.73
1630	18.09	21.77	22.72
1700	18.09	21.77	22.71
1730	18.09	20.47	21.35
1800	18.35	25.17	26.25
1830	18.35	25.17	26.21
1900	18.35	26.19	27.20
1930	30.63	26.19	27.15
2000	30.63	26.19	27.17
2030	31.15	26.19	27.21
2100	31.15	25.17	26.16
2130	31.15	24.61	25.60
2200	28.29	24.16	25.15
2230	28.29	24.16	25.16
2300	18.63	18.13	18.13
2330	18.07	17.59	17.59
2400	18.04	17.64	17.64

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.04.93: Pool purchase price £/MWh	Final Prices for Trading on 28.03.93: Pool purchase price £/MWh	Final Prices for Trading on 28.03.93: Pool selling price £/MWh
[illegible]	[illegible]	[illegible]	[illegible]

Italian telecoms shake-up approved

By Haig Simonian in Milan

ITALY'S complex state-controlled telecommunications sector is set for unprecedented change after cabinet committee approval of a long-awaited restructuring.

The move opens the way to creating a single company to run Italy's telecommunications services, where seven different state-controlled groups now operate.

The cabinet committee, which called on the IRI state holding company to present rationalisation plans by June 30, also accepted that the government's stake in the future single telecoms group could fall below 51 per cent.

Italy's telecoms sector comprises a patchwork of companies, all state-controlled, which are often in conflict with one another, and sometimes deeply divided internally.

The sector is co-ordinated by Stet, the IRI-controlled listed holding company. Stet in turn controls Sip, the main telephone utility, which is also listed, as well as Italcable (international communications) and Telespazio (satellite links).

Two other companies, Sirti (network engineering) and Italtel (equipment manufacturing), supply the group, while a third, Iritel, was formed last year after the long-awaited transfer of ASST from the post office to IRI. ASST provides domestic trunk connections and some shorter international links. The new Telecom Italia would probably include all the companies, except Italtel and Sirti.

Although rationalisation plans have been aired for years, they have been postponed by political difficulties or squabbling among the companies.

Managements have become increasingly politicised, with some companies having a carefully-balanced team of chairman, deputy and up to two managing directors appointed on the basis of party affiliations.

False starts have led to analysts' scepticism that rationalisation will now take place in earnest.

However, the timetable envisages the creation of Telecom Italia by the end of 1995 at the latest.

Rationalisation was "an indispensable step", said the committee, which warned that the state would retain a "significant" minority stake.

Tariffs would be determined by a "price cap", linking charges to productivity and quality.

Although the destiny of Iritel, which is widely expected to be merged with Sip, remains unclear, the committee called for the integration process to be accelerated.

BHF-Bank lifts profits to DM366m

By David Waller in Frankfurt

BHF-BANK, the Frankfurt-based merchant bank, rounded off the reporting season for Germany's larger banks by announcing 1992 group operating profits up by 6.9 per cent to DM366m ($228m).

The increase is more modest than at Germany's bigger banks, most of which have increased operating profits by more than 10 per cent. But at the partial operating profits level, which excludes the contribution from own-account trading, BHF's 1992 profits rose by 15.3 per cent to DM327m.

Mr Wolfgang Strutz, senior partner, said that provisions for bad and doubtful debts had been increased significantly for 1992, mainly for corporate loans.

The incidence of bad debts rose from 0.09 per cent of the total loan portfolio in 1991 to 0.17 per cent last year, just above the 0.15 per cent average of the last five years.

Total business volume rose 11.5 per cent last year to DM54bn, while the surplus on interest income climbed 10.8 per cent to DM569m. Fee income increased 13.3 per cent to DM301m while administrative expenses rose 9.6 per cent to DM544m.

Czech government seeks new partner for truck venture

By Patrick Blum in Prague

THE CZECH government plans to look for another foreign partner for the Avia truck company following last week's decision by Mercedes-Benz to abandon its planned $250m joint venture with the Prague-based small truckmaker.

Mr Vladimir Dlouhy, the Czech trade and industry minister, said he wanted to resume negotiations with other potential partners, including Renault Véhicules Industriels, whose bid was rejected in favour of Mercedes 16 months ago.

Under the agreement with Mercedes, the German motor company was to have taken an initial 31 per cent stake in the venture with Avia-Praha, and Liaz, a maker of heavy trucks based in Jablonec nad Nisou, in northern Bohemia. Avia was to hold an initial 49 per cent and Liaz 20 per cent in the venture.

Mercedes planned to raise its stake later and to invest DM350m ($218m) over three years to develop and modernise production at the two plants. Avia's production of small trucks under contract from Renault was to be replaced by new models.

The aim of the venture was to build up sales in eastern Europe, but the collapse of markets in the region had made the move less attractive, Mercedes said. Access to eastern Europe had also become more difficult because of the break-up of the former Czechoslovakia on January 1 this year.

Mr Jaromir Jiricny, Liaz general director, said he was not surprised by Mercedes' decision and added that Liaz would continue to produce its own trucks.

Managers at Avia said they would try to buy a majority share in the company, though the government's preferred option is to find a foreign partner.

In 1991, Avia made a profit of Kcs25m ($860,000) on sales of Kcs2.5bn, while Liaz made Kcs128m profit on sales worth Kcs 3.9bn. Avia then employed 4,000 and Liaz 6,650 workers.

Both companies need fresh capital and new technology to modernise old production lines and models.

Promodès to raise up to FFr2bn from bond issue

By Alice Rawsthorn in Paris

PROMODES, the French retailing group, plans to raise up to FFr2bn ($367m) from a convertible bond issue to reduce debt and prepare for acquisitions.

Mr Jacques Beauchet, finance director, said the issue would be worth between FFr1bn and FFr2bn, "but closer to FFr2bn".

He said Promodès was finalising plans and expected to launch the issue within the next three months.

The issue may involve Société Générale and Crédit Lyonnais, two of France's largest banks, taking stakes in Promodès, with BBV, the Spanish bank which is a shareholder, increasing its present 4.1 per cent holding.

Both Carrefour and Casino, the chief competitors of Promodès in the hypermarket sector, have recently made major acquisitions.

Setback for Canadian Airlines' survival plan

By Robert Gibbens in Montreal

CANADIAN Airlines International's survival plan, including a C$246m (US$195m) equity infusion from American Airlines, has hit a new obstacle. An Ontario court dismissed an application by PWA, Canadian's parent company, to have the Gemini Group computer reservations company declared insolvent.

This would have allowed PWA to leave Gemini for American's Sabre system – a condition of the equity infusion.

Gemini is jointly-owned by PWA and rival Air Canada and several smaller airlines. Air Canada is fighting the Canadian-American deal and maintains PWA's withdrawal from Gemini would bankrupt the group.

In Calgary, Canadian said its lawyers would decide later this week whether to appeal the Ontario court decision.

Outokumpu to sell US subsidiary

By Christopher Brown-Humes in Stockholm

OUTOKUMPU, the Finnish mining and metals group, is selling OM Group, its US speciality chemicals subsidiary, through an initial public offering in the US.

Net proceeds are estimated at between $150m and $170m, while OM Group will raise $20m through a simultaneous treasury issue.

The offering will be underwritten by Lehman Brothers, Donaldson Lufkin & Jenrette Securities Corp and Goldman Sachs, and comprise US and international tranches.

Mr Markku Toivanen, president of Outokumpu Metals & Resources, said: "This business is not a core one. We are not comfortable in marketing speciality products as we are more a commodities business." He said an IPO, rather than a trade sale, would help with future fund-raising.

OM Group, based in Cleveland, is one of the world's leading producers of metal-based speciality chemicals and has manufacturing facilities in the US, Finland and France.

COMPANY NEWS IN BRIEF

Hermès details scheme to go public

HERMES, the French luxury goods group, has released details of plans to go public in June by joining the second market in Paris, writes Alice Rawsthorn.

Hermès, still controlled by the Hermès family, intends to increase its share capital by 4 per cent, by issuing 467,410 new shares. The price has not yet been revealed.

The company will also allow three banks – Banque Nationale de Paris, the BFCE group and Banque Hottinguer – to place a 10 per cent stake among institutional investors.

The institutions will then be able to sell their shares on the open market.

Mr Dumas said that after the issue the founding family would still own 81.4 per cent of the equity.

Hermès has seen sales growth slow in the past three years since its peak in 1989. However, Hermès, which has 242 sales outlets worldwide, saw sales rise by 2.5 per cent to FFr2.46bn ($451m) in 1992 while net profits rose by 46 per cent to FFr176.2m.

Electrabel steady

ELECTRABEL, the Belgian electricity and gas utility, increased net non-consolidated profits by less than 1 per cent in 1992, to BFr22.5bn ($680m) from BFr22.3bn, writes Andrew Hill in Brussels.

The group, Belgium's largest company by market capitalisation, lived up to its reputation as a generous payer of dividends by proposing a net dividend of BFr302 per share, up 4 per cent on last year's BFr290.

The group invested some BFr29.7bn in 1992, against BFr26.2bn the previous year.

Snecma loss deepens

SNECMA, France's state-controlled aero-engine maker, saw its consolidated loss deepen last year to FFr794m ($146m) from FFr68m in 1991, writes David Buchan in Paris.

The company said the figures reflected "the global crisis in the aviation market, and include provisions for restructuring the workforce and depreciation of shares in certain subsidiaries".

The group announced last month that turnover in 1992 fell to FFr23bn, against FFr 23.9bn the previous year. The value of its order book dropped by FFr 3bn by the end of last year, from FFr 7.3bn a year earlier.

Marriott rejects investors' claims

MARRIOTT, the hotels and management services group, has rejected demands made by representatives of a group of preferred shareholders who have said they intend to bring a lawsuit against the company, AP-DJ reports.

The group includes UBS Securities, an affiliate of Union Bank of Switzerland, which holds the largest number of preferred shares in the group.

It maintains that Marriott's split of the company, with one segment receiving most of the debt and the other most of Marriott's equity, is "unlawfully coercive of, and detrimental to, holders of preferred stock."

According to a filing with the Securities and Exchange Commission, the group wants Marriott to change its reorganisation plan, and said it would seek compensation if the plan goes through.

Saudi British Bank up 51%

SAUDI British Bank lifted net profit for the first quarter of 1993 by 51 per cent to a record SR88.5m ($23.6m), Reuter reports from Manama.

SABB, 40 per cent owned by HSBC Holdings, the parent of Hongkong and Shanghai Banking Corp, in February offered 2m new shares worth SR1.14bn.

The flotation by the bank, the fourth-biggest joint venture in Saudi Arabia, raised its share capital by 150 per cent to SR1bn.

Total assets climbed 38 per cent to SR21.8bn at end-March 1993. Customer deposits in the first three months rose by 32.5 per cent to SR16.3bn.

ITALIAN GOVERNMENT BONDS

Political crisis continues to cloud outlook

IN THE past week, old-fashioned sets of scales have been spotted among the electronic gadgets on Italian bond dealers' desks. So close has the correlation between the lira/D-Mark exchange rate and the current prices of Italian bonds and futures become that some say it is now possible to compute the latter based simply on the former.

Seldom has the link between the foreign exchange and bond markets been so close. But last week, bond and derivate prices plunged in inverse proportion to the rising strength of the D-Mark against the lira as Italy's political crisis grew more acute.

Friday marked a nadir. Prices on the Milan futures market for 10-year bonds plummeted as prospects of finding a convincing replacement for the government of prime minister Guiliano Amato grew fainter. Simultaneously, the lira crossed the psychological L1,000 threshold against the D-Mark for the better part of the day before being quoted just a sliver stronger at L999.62, according to the Bank of Italy's indicative rates.

'Until we can start talking again about a coherent economic policy, it's hard to be certain where the next floor is'

Futures prices in Milan dropped to within sight of 92.50 – the latest technical floor – as trading reflected the lack of confidence in the immediate political outlook. Prices for futures had slipped steadily all week. But the sharpest declines came on Friday, when they fell by about L1.10 compared with Thursday's close.

Analysts are wondering how much further they will drop. "We think 91.50 is the next floor on a technical basis," says one bond specialist at Euromobiliare, the Milan-based merchant bank. "But until we can start talking again about a coherent economic policy in Italy, it's hard to be certain where the next floor is."

Prices are still well above the lows recorded during last September's currency turmoil, when futures on 10-year government bonds sank to 85.10.

But the two periods are hardly comparable, given the general upturn in European bond prices that has taken place in the meantime.

A price of 92.50 for the future implies a corresponding gross yield of 13.60 on the latest 10-year bonds. The risk premium on Italian paper is already "absolutely comparable with that of last autumn," says Euromobiliare's analyst.

With political events dictating sentiment, no one expects an upturn at least until after the referendum on electoral reform on April 18. With last week's political consultations instigated by President Oscar Luigi Scalfaro having failed to bring about a more broadly-based government, it is up to Mr Amato to soldier on at least until the referendum.

The risk premium on Italian paper is already 'absolutely comparable with that of last autumn,' says one bond market analyst

"Only then will the real process for creating a more representative government really start," says a bond specialist at Banco Lariano. In spite of the achievements of the Amato administration, he thinks only a broader-based coalition will be able to take the unpopular, but essential economic measures required to bring the budget deficit under control.

A period of prolonged political uncertainty bodes ill for both the lira and bonds. "We can't expect anything positive in the immediate future," says the Banco Lariano analyst. Noting that recent interest rate cuts by the Bank of Italy have been closely linked to firm action on the economy and curbing the deficit, "there's no chance interest rates will go down for the time being," he adds.

With widespread gloom about the political outlook for the fortnight ahead, dealers are looking to the post-referendum period for a possible upturn.

Even then, prospects are uncertain at best. If a new government, including some of the present opposition parties, can be formed quickly, then the lira and government bonds should pick up.

But the likelihood of agonising political horse-trading in Rome is just as strong. In that event, dealers may again have to bring out their sets of scales to see how much further bond prices could drop.

Haig Simonian

US MONEY AND CREDIT

Gains are consolidated on back of economic data

MANY analysts have been waiting for the US bond market to consolidate recent gains. Last week, their expectations were fulfilled.

The release of the March unemployment figures on Friday caused the benchmark 30-year long bond to lose more than a point, and the yield on the issue to rise back above the 7 per cent mark. At 7.05 per cent, that was the highest closing yield since mid-February.

In truth, the bond markets had been edging towards this denouement for most of the week. Bond prices rose on Monday, but this was largely in reaction to the previous Friday's sell-off, and thereafter the bond market paid little attention to a raft of economic data which might have been expected to send yields lower.

For example, the National Association of Purchasing Managers' index fell to 53.4 in March, from 55.8 in February – an indication that manufacturing activity, although still growing, is doing so at slower rates. Consumer-confidence data was also weak.

Undeterred, and with all eyes fixed on the March employment numbers, the long bond yield inched up steadily, from 6.89 per cent on Monday evening to 6.96 per cent by the end of trading on Thursday.

At first sight, Friday's jobs figures appeared to give grounds for encouragement. While the unemployment rate remained steady at 7 per cent, the number of payroll jobs actually declined in March. This seemed to indicate a weakening in the economy, and mitigate against the inflation threat which had worried the bond market recently.

But analysts pointed out that last month saw exceptionally bad weather – causing a shortening of the working week and some job losses. It was notable, for example, that construction employment fell by 59,000 workers in March.

Moreover, buried amid the data, was 5 per cent rise in average hourly earnings – evidence that inflationary pressures may be creeping back. Finally, there were upward revisions to the already-substantial payroll gains seen in the previous two months.

The bond market read the worst into the figures. The 30-year Treasury yield head back across the 7 per cent mark, and the yield curve steepened perceptibly with the yields spread between 10 and two-year issues widening some 10 basis points, to 218 basis points – a sure sign that the market scents an inflationary threat.

Whether it is right to be worried may become clearer this week. The key numbers to watch for will be the producer price index figures on Thursday and the consumer price index data on Friday.

Analysts are divided over the extent to which these will allay the market's fears. Salomon Brothers, for example, is forecasting that the PPI will show a 0.6 per cent advance in March, the largest monthly jump since October 1990. It suggests the increase will be "broad-based", taking in food products, petrol and home heating oil, and some big tickets items, like motor vehicles.

This, in turn, could translate into a 0.4 per cent rise in the "core" PPI figure (excluding food and energy). The "core" CPI figure, meanwhile, is forecast to have risen by a similar amount. "If our predictions are correct, the headline wholesale and retail inflation measures posted their largest quarterly increases since the leap recorded in the wake of the Iraqi invasion of Kuwait," says one analyst.

But not everyone is so gloomy. Donaldson, Lufkin & Jenrette, for example, expects the data to "slow the recent inflation scare". Here, analysts are predicting that the PPI and CPI figures will show a rise of 0.3 per cent, inclusive and exclusive of the food and energy items.

Who is right remains to be seen. But it is safe to assume that the bond market will remain edgy until the answer is known.

Nikki Tait

UK GILTS

Investor enthusiasm helps prolong rally

THE gilt rally continued as the market absorbed nearly £4bn of bonds but still ended slightly higher on the week.

Investors responded enthusiastically to the Bank of England's biggest gilt auction, in which £3bn of 20-year bonds were sold, and also snapped up £600m of 10-year stock. A further £650m tranche of gilts is going on sale from today.

The market took heart from the lack of evidence that inflationary pressures were increasing. That fits in with the generally bullish environment for government bonds in many other important markets.

Another positive indicator was signs of a faint recovery in the UK economy, which may reduce the pressures on the public sector borrowing requirement, widely reckoned to reach £50bn in the 1993-94 financial year.

On the week, gilts at around 20-year maturities gained about half a point for a yield decrease of 10 basis points to about 8.2 per cent. Yields at the 10-year mark barely changed on the week, and were quoted on Friday night at 7.7 per cent.

The reason for keen interest in gilts – demand for stock at the auction was roughly twice the amount on offer – is not difficult to explain. Inflationary expectations in the UK, as measured by the yields on index-linked gilts, are that over the next few years inflation will be kept down to relatively low figures of around 4 per cent.

With 10-year gilt yields at their current level, the real yield on offer to investors is a reasonably healthy 3 per cent to 4 per cent.

The inflation arithmetic appears to be tempting many overseas investors into the gilt market on the grounds that the yields on offer for UK bonds are starting to look enticing compared with those on rival types of government securities.

In Germany, for instance, 10-year government bonds currently offer yields of around 6.7 per cent. But with inflation appearing to many observers likely to stay at around 3 to 4 per cent for some time, the anticipated real yield on these bonds does not look particularly attractive.

Mr Stephen Lewis, of the London Bond Broking Company, believes that the UK's large current account deficit will be crucial in ensuring that UK inflationary pressures stay muted for the foreseeable future.

According to Mr Lewis, any effort by the government to expand the economy – perhaps if it becomes especially worried by further rises in unemployment – would push the deficit still higher than the £17.5bn expected by the Treasury this year. The difficulties of financing this deficit would cause a run on sterling, which in turn would force the Treasury to tighten interest rates.

Over the next few months, however, fragile signs of recovery may become deeper rooted. Anecdotal evidence from various industries increasingly suggests that demand is picking up.

A new indication may come today with the expected news that growth in M0, the narrow measure of the money supply which mainly comprises notes and coins in circulation, was around 5 per cent in the year to last month, well above the top level of the Treasury's "monitoring range" of between zero and 4 per cent.

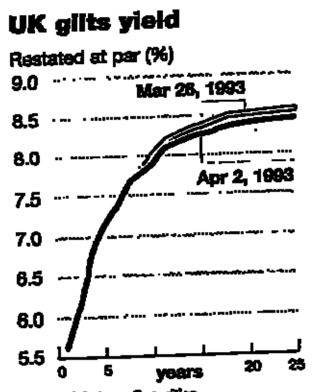
Further signs that increased spending by consumers may also come with today's figures on the amount of new consumer business in February. This is expected to show a slight £100m increase.

Mr Robin Leigh-Pemberton, governor of the Bank of England, told a House of Commons select committee of MPs last week that he thought the recession was probably over – a development that many in the gilt market would welcome, on the grounds that the gap between state spending and revenues could be expected to start falling from 1994-95 onwards.

Peter Marsh

UK gilts yield

Restated at par (%)



Source: Warburg Securities

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	200	103⅜	+⅛	4.98
ABBEY NATIONAL 9 3/4 94	200	104¼	−⅛	4.22
ABN 9 1/8 94	200	106	−⅛	4.35
AETNA LIFE & CAS 7 3/4 18	200	100⅝	−⅛	7.66
ALBERTA PROVINCE 8 5/8 96	750	110½		5.37
ALBERTA PROVINCE 9 3/8 96	500	110⅜		4.80
AMERICAN EXPRESS 0 00	450	58	+⅛	7.34
AMERICAN GENERAL 9 3/4 95	100	109⅝		5.08
AMERICAN INTL 0 04	750	45	−⅛	7.28
AMOCO CANADA 7 1/4 02	250	103⅞	−⅛	6.68
ASFINAG 7 3/8 02	200	106⅛	−⅛	6.45
ASIAN DEV BANK 0 04	1000	45¾	−⅛	7.09
ASIAN DEV BANK 8 96	100	108½		5.38
AUSTRALIA 11 95	200	112⅝		4.80
AUSTRIA 7 3/4 97	200	108⅝	+¼	5.30
AUSTRIA 8 1/2 00	400	112¼	−¼	6.15
AUSTRIA 9 1/4 96	100	111⅞		5.16
BANK OF TOKYO 8 3/8 96	100	108½	+⅛	6.37
BANQUE PARIBAS 7 1/2 96	100	105½		5.37
BARCLAYS JERSEY 10 5/8 95	250	113¾		5.05
BASF FIN EUROPE 7 99	200	103⅜	−⅛	6.33
BAYER USA 8 1/4 96	150	108¼	+⅛	5.51
BELGIUM 8 97	300	109⅛	+⅛	5.32
BELGIUM 8 3/4 98	400	112⅞	+⅛	5.73
BELGIUM 9.2 10	500	117⅝	−⅛	7.35
BELGIUM 9 5/8 98	250	117	+⅛	5.78
BFCE 7 3/4 97	150	108⅜	+⅛	5.33
BFCE 9 1/4 95	150	111		4.70
BMW LEASING 7 3/8 96	200	105¾		6.57
BNP 8 5/8 94	300	105⅝	−⅛	4.18
BOOTS 9 97	175	110⅝	+¼	5.76
BP AMERICA 9 3/4 99	250	115¼		6.55

	Issued	Bid price	Chg on week	Yield
SEARS O/S FIN ZERO 98	500	68⅛	+⅛	7.25
SEARS ROEBUCK EURO 9 3/4 95	500	108½	+⅛	5.24
SKANDINAVISKA ENSK 7 3/8 97	500	103	+⅛	6.62
SNCF 7 1/4 94	175	102¼	−⅛	3.75
SNCF 9 1/2 98	150	116⅜	−⅛	6.81
SPAIN 6 1/2 99	1500	101⅞	−⅛	6.16
STATE BK NSW 8 1/2 96	200	108⅜		5.51
STATOIL 7 5/8 94	200	102⅝		4.34
SWEDEN 5 1/2 95	2000	101⅞		4.72
SWEDEN 9 1/4 96	350	114¼	−⅛	5.82
SWEDISH EXPORT 8 3/8 96	700	109⅝	+⅛	6.04
THYSSEN FINANCE 7 1/2 99	200	103¾	−⅛	6.74
TOHOKU ELEC POWER 7 3/4 97	250	107⅛	+⅛	5.73
TOKAI ASIA 11 1/2 95	100	112		5.44
TOKYO ELEC POWER 8 3/4 96	300	110½		5.27
TOKYO METROPOLIS 8 1/4 96	200	109⅝	+⅛	5.23
TOKYO METROPOLIS 9 1/4 94	200	106⅛	−⅛	4.05
TOYOTA MOTOR 5 5/8 98	1500	99⅝	+⅛	5.71
TOYOTA MOTOR CRED 8 1/2 94	200	105½	−⅛	4.25
UBS FIN 9 1/8 02	225	115⅛	−⅛	6.76
UNILEVER CAP CORP 9 1/4 00	400	116	−¼	6.35
UNION BK FINLAND 8 94	200	102⅜		6.73
UNITED KINGDOM 7 1/4 02	3000	105½	−⅛	6.46
URUGUAY 8 1/4 95	100	102½	+¼	7.11
VENEZUELA 9 3/4 98	150	100⅝	−⅛	9.40
VICTORIAN PUB AUTH 8 3/8 96	100	107¼		6.04
WARNER-LAMBERT 8 1/8 96	100	108	+⅛	5.23
WORLD BANK 8 1/8 01	1500	112⅛	−¼	6.26
WORLD BANK 8 3/8 99	1500	112¼	−⅛	6.07
WORLD BANK 8 3/4 97	1500	112⅝	+⅛	5.21
XEROX CORPN 8 3/8 96	100	107½	−⅛	5.91
YOKOHAMA 8 01	200	109¼	−⅛	6.66

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	105		5.54
COUNCIL EUROPE 4 3/4 98	250	100½	+½	4.63
EIB 6 3/4 04	300	110		5.55
ELEC DE FRANCE 7 1/4 06	100	111½	+1	5.94
FINLAND 7 1/4 99	300	109½		5.47
GENERAL MOTORS 7 1/2 95	100	102⅝		6.07
HYUNDAI MOTOR FIN 8 1/2 97	100	106½	+½	6.74
ICELAND 7 5/8 00	100	111	+¼	5.74
KOBE 6 3/8 01	240	108½	−½	5.09
NEW ZEALAND 4 7/8 99	200	99	−½	5.07
ONTARIO 6 1/4 03	400	106	+⅛	5.44
QUEBEC HYDRO 5 08	100	94		5.60
SNCF 7 04	450	113⅞	+⅛	5.35
WORLD BANK 5 03	150	100¼	−¼	4.97
WORLD BANK 7 01	600	111	−½	5.26

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
AUSTRIA 4 3/4 94	30000	100⅞	+⅛	3.57
BELGIUM 4 5/8 94	45000	101⅛	+¼	3.61
CNT 5 1/8 94	20000	101½	+⅛	3.65
COUNCIL EUROPE 7 94	25000	103¾	+¼	3.63
CREDIT LOCAL 7 96	30000	108⅛	+½	4.24
DENMARK 7 95	40000	105⅜	+¼	3.89
EIB 4 5/8 94	40000	101⅛	+⅛	3.55
EIB 6 3/4 01	50000	111½	+⅛	4.99
ELEC DE FRANCE 5 5/8 96	20000	104	+⅛	4.39
EUROFIMA 6 7/8 94	30000	103⅛		3.66
FINLAND 6 3/4 96	50000	106⅞	+⅛	4.42
INTER AMER DEV 7 1/4 00	30000	112¾	+⅛	5.07
JAPAN DEV BK 5 99	100000	102⅛	+⅛	4.61
JAPAN DEV BK 6 1/2 01	120000	110⅝	+¼	4.93
KANSAI ELEC PWR 4 5/8 94	60000	101	+⅛	3.66
KFW INTL FIN 6 1/4 94	25000	104	+¼	[illegible]
NIPPON TEL & TEL 5 7/8 96	50000	105⅛	+⅛	4.21

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on April 2

Deals signal lower lending margins in UK

By Richard Waters

SIGNS that lending margins are falling again for UK companies that are regarded as strong credits were confirmed on Friday with the launch of a £125m syndicated loan for Northern Foods.

The five-year loan, arranged by NM Rothschild and Midland Bank, will pay a margin of 37.5 basis points over Libor – comfortably below the level of around 45 basis points established by several deals for UK companies last year.

The terms on the Northern Foods syndicated loan are identical to those on a recent five-year, £100m deal for Reuters, led by Warburg.

Bankers said Northern Foods, though well regarded, was not thought as strong a credit as Reuters. However, Rothschild reported good initial interest from Northern Foods' relationship banks, at whom the loan is targeted. "These two deals have established a new corporate benchmark in the UK corporate loan market, at least for good credits," one banker said.

The lower lending margins on the two deals were attributed to the shortage of high-quality corporate borrowers in the syndicated loans market.

Foreign borrowers turn to US

By Tracy Corrigan

THE surge in issuance in the US corporate bond market, where underwriting volume reached a record level of more than $122bn in the first quarter, has been accompanied by a spate of financings by foreign borrowers in the US market.

The so-called "Yankee" bond market – the US market for foreign borrowers – reached record volume of nearly $7bn in the first quarter, according to IFR Securities Data.

Although the market is still dwarfed by issuance in the dollar sector of the Eurobond market – close to $40bn in the first quarter, including global offerings – as well as the US corporate bond market, the Yankee bond market has proved a vital source of funding.

For leading borrowers, there is little difference between financing costs in the US and the Eurobond markets. Frequently, the best way for them to minimise costs is to structure deals as global offerings, with placement in both the US and Europe, so that paper will flow towards the strongest bid. Consequently, borrowers such as Finland and Sweden, which might have considered tapping the Yankee market to meet heavy funding needs, launched global bonds instead.

What the US market does offer, however, is a home for weaker credits which are not readily accepted in the Eurobond market. While Eurobond investors tend to demand exorbitant spreads for borrowers with credit ratings below the single-A band, US investors have considerable appetite for lower-rated debt. "There is an ability to evaluate credit in the US market which is more advanced than in the Euromarket," said Mr Charlie Berman, a director of Salomon Brothers in London.

The appetite of US investors for lower-rated – and consequently higher yielding – bonds has been fuelled by the sharp decline in US interest rates. The prolonged rally in the Treasury market has pushed yields down to historic lows. Even now prices are off their highs, there is still demand for bonds, simply because investors do not want to leave funds on deposit or in the money markets because of the negligible returns on offer.

The main beneficiaries outside the US of this appetite for yield fall into three main categories.

First, some lower-rated companies have been able to fund themselves more cheaply than in their domestic markets. UK companies have been keen to access the market, often funding US subsidiaries in this way. In some cases, they have made use of the US Securities and Exchange Commission's rule 144A, which allows borrowers to issue tradeable securities in the private placement market without registering with the SEC. Bass and Hanson both raised large sums in the US market in the first quarter.

Second, the market has attracted emerging countries such as Turkey and Korea, which are planning to return to the market shortly.

Third, the market has proved a fruitful source of subordinated debt for banks, which need to shore up their capital to meet new international rules. Last week, Hongkong & Shanghai Bank successfully placed a $300m 10-year issue, via J. P. Morgan, priced to yield 140 basis points over the comparable US Treasury. But much of the surge of issuance in the first quarter was created by Canadian provinces, which are trying to diversify their funding to meet heavy borrowing schedules.

In spite of the growth of the Yankee bond market, the amount of paper issued in the private placement market under rule 144A is still below the expectations of three years ago, when the market was opened. Most investors still prefer SEC-registered paper, while insurance companies, which were always active in the private placement market, remain the mainstay of the 144A market. However, dealers have tried to improve liquidity in the sector by making markets in the paper, and there have been signs of a broadening of the investor base.

Tokyo reforms feed through to London

By Tracy Corrigan

THE first in a series of reforms designed to dismantle the barriers between Japanese banks and securities houses on April 1 fed through to the Eurobond market on Friday, when the London-based securities arms of five Japanese banks launched a spate of deals for Japanese companies.

Previously, the banks had not been allowed to lead-manage Japanese corporate or bank issues, except for their parent bank.

Among deals totalling Y70bn on Friday, the largest offering was a Y30bn five-year issue for Mitsui & Co, arranged by Sakura Finance International, the London arm of Sakura Bank. Sakura has several corporate deals on the cards for next week.

Typically, most Japanese corporate paper in the Euroyen market is, in fact, placed in Japan, and is not actively traded. Japanese companies often prefer to tap the Eurobond market because of the lower fees charged, but the market has nevertheless proved lucrative for underwriters.

The move is expected to increase the level of competition in the Euroyen market.

RISK AND REWARD

Chicago attempts to put a price on pollution

THE small and misunderstood sale of pollution rights by the US Environmental Protection Agency and the Chicago Board of Trade last week was the latest step in the evolution of a market. Pricing pollution is no different from pricing bonds, according to Nobel laureate Professor Ronald Coase of the University of Chicago. His work on determining economic costs of social problems forms the basis of the EPA's market-based pollution reduction programme.

"People basically think they need something physical to trade. The point is you never, ever trade in physicals. You always only trade the rights to something. Once that's understood, it becomes much easier to see trading in intangibles," Prof Coase says.

He says the great advantage of a market-based system for allocating pollution is that it achieves a set level of pollution reduction at the lowest possible cost. Eventually, information from that market can become a valuable public-policy tool. "Over the long run, it allows us to determine what the costs of pollution are, and will allow the EPA to balance better the costs and benefits of pollution control."

For industry, a secondary market for pollution permits would communicate the real costs of emissions, forcing producers to factor those costs into the price of their goods. Even environmentalists like the concept. They can use their dollars to buy pollution rights and retire them.

The pollution permits scheme will falter, however, if a liquid secondary market does not develop soon. Only a handful of the permits have traded privately, and last week's auction also failed as a secondary market. All the permits sold had been donated by the EPA, not contributed by utility owners.

The EPA is late in launching its on-line system for clearing secondary trades, forcing counterparties to construct expensive contracts. Regulatory and tax uncertainties also stifle the market.

Some investment bankers say the needs of electric utilities are so diverse, that custom-tailored transactions are likely to win out over mass-market trading systems.

This view conflicts with that of Mr Richard Sandor, a principal inventor of financial derivatives and now an advocate for a CBOT futures market in air pollution permits. He expects the pollution-rights market to mimic the architecture of the credit markets: screen and telephone-based cash trading; dynamic, customised off-exchange derivative trading, and an on-exchange futures market as the ultimate public pricing and risk-management vehicle.

Mr Sandor is willing to be patient – like the bond markets, he expects pollution market synergies to take two decades to achieve. It may take longer.

Nevertheless, Chicago's deep-pocketed trader-entrepreneurs have historically been willing to back applications of the latest pricing theories.

The CBOT is starting a low-cost electronic bulletin board to highlight allowance bids and offers, and will hold periodic auctions to provide necessary spot market infrastructure.

The CBOT has competition in this area, because other exchanges – floor and screen-based – also view pollution rights as a potentially lucrative new venture.

Even if trading fails to blossom, the existence of the permits has provided an economic alternative to more expensive pollution abatement techniques. They have intrinsically brought down costs of environmental compliance.

Regulators are already working to adapt the concept to other forms of pollution – including nitrogen oxide, a chemical precursor to the noxious air pollutant, ozone, and to some water pollutants. Prof Coase would like to see his ideas applied to broadcasting, where he advocates market-based allocation of radio frequencies and other common carriers. Prof Coase's theories are becoming increasingly popular, perhaps because of the growing realisation that the most plentiful of resources – even air and water – are finite and thus have a determinable and defendable value.

Laurie Morse

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Bco.da Bahia Investimentos#	50	Oct.1995	2.5	11	99.7868	Bear Stearns Intl.	11.100
Heller Financial(c)‡	100	Nov.1996	3.5	(c)	101.1	Fuji Intl.Finance	-
Uniao de Bancos Brasileiros#	60	Oct.1995	2.5	9.75	99.275	Citibank International	10.085
Halifax Building Society	250	Apr.1996	3	4.75	101.065	UBS P&D Securities	4.384
Goldman Sachs Group	150	Apr.2000	7	6.75	101.3	Goldman Sachs Intl.	6.513
Banesto Finance(h)‡	100	Apr.2003	10	(h)	100	Salomon Brothers Intl.	-
BNDES#	70	Apr.1998	5	10.375	99.752	Salomon Brothers Intl.	10.440
Dresdner Bank(f)‡	50	Apr.2003	10	(f)	102.2	Dresdner/ Lehman Bros.	-
CCM(k)#	130	Apr.1998	5	8.75	99.326	Citibank International	8.920
Banco Medefin★#	30	Apr.1994	1	9.5	99.3	Crdt.Lyon.Euro-Secs.	10.254
Nationwide Bldg.Society(o)‡	150	Jul.1997	4.25	(o)	100	Lehman Brothers Intl.	-
Republic of Uruguay#	100	Apr.1998	5	7.5	99.918	Chase Investment Bank	7.520
YEN							
Fujitsu(d)	30bn	Jul.1997	4.27	3.95	101.55	Nikko Europe	3.549
Nissho Iwai Corp.	30bn	Jul.1998	5.27	4.7	101.675	Nikko Europe	4.333
Nissho Iwai Corp.	20bn	Jul.1997	4.27	4.45	101.4	Yamaichi Intl.(Europe)	4.081
Mitsui & Co.(p)‡	30bn	Jul.1997	4.27	(p)	101.225	Sakura Finance Intl.	-
Nichimen Corp.	10bn	Jul.1998	5.27	4.75	101.525	Sanwa International	4.415
Mitsubishi Kasei Corp.	10bn	Jul.1997	4.27	4.15	100.525	Mitsubishi Finance Intl.	4.010
Tokyo Tatemono Co.	10bn	Jul.1998	5.25	4.9	101.5	Fuji Intl.Finance	4.568
Yoshida Kogyo KK(q)	10bn	Apr.1998	5	4.5	101.825	IBJ International	-
D-MARKS							
Depfa Finance	500	May.2000	7	6.5	101.3	Deutsche Bank	6.265
IADB	500	Apr.2003	10	6.75	101.1	Deutsche Bank	6.596
Republic of Venezuela	150	May.1998	5	10.25	100	Commerzbank	10.250
FRENCH FRANCS							
CAR	1.8bn	Apr.2001	8	zero	56.838	CCF	7.320
Crédit National	1.5bn	Apr.1996	3	7.375	99.935	BNP	7.400
STERLING							
European Investment Bank	218	Dec.1998	5.67	7	101.49	JP Morgan Securities	6.665
Inchcape(e)§#	125	May.2008	15.07	6.25	100	CSFB	-
Pilkington(l)ϕ	80	May.1998	5	7.5	118.75	J.Henry Schroder Wagg	-
Central Independent TV(m)§#	27.7	Jun.2008	15.21	6.5	100	Kleinwort Benson	-
CANADIAN DOLLARS							
Kaufhof Plus Finance(j)‡	100	Apr.2003	10	(j)	99.625	Deutsche Bank London	-
ITALIAN LIRA							
Council of Europe(n)‡	150bn	Apr.1998	5	(n)	101.525	Bca.Nazionale de Lavoro	-
GUILDERS							
WestLB Finance Netherlands	300	Apr.2003	10	7	101.05	ING Bank	6.852
Nationale Investeringsbank	150	May.1999	6	6.625	100.7	ABN Amro Bank	6.480
AUSTRALIAN DOLLARS							
Treasury Corp.of Victoria(a)#	500	Oct.2003	10.5	8.25	99.241	Merrill Lynch Intl.	8.360
Shell Australia	100	May.1998	5	7.25	100.45	Hambros Bank	7.140
SWISS FRANCS							
Nippon Meat Packers(q)★ϕ	300	Apr.1997	4	1	100	Credit Suisse	-
Sanyo Electric Railway(f)★ϕ	70	Apr.1997	4	0.875	100	Nomura Bank (Switz.)	-
Thai Petrochem.Ind.(Cay)(g)★§	70	Apr.1998	5	3.5	100	Credit Suisse	-
National Bank of Hungary	100	Jun.2000	7	7.25	100.75	Swiss Volksbank	7.110
City of Stockholm★	100	May.1998	5	5	102.125	Swiss Bank Corp.	

Final terms and non-callable unless stated. ★Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. a) Denom.: SFr50,000 + 50 warrants. Exercise price: Y1589. FX: 78.22 Y/SFr. Callable on 8/4/95 at 101% and on 8/4/96 at 100.5%. b) Global bond. c) Coupon pays 3-month Libor + 0.6%. d) Puttable at par on 23/7/96. e) Conversion price: £8.89. Callable at par from 30/5/98. f) Final terms fixed on 6/4/93. Callable on 15/4/95 at 102% declining by 0.5% semi-annually. g) Convertible into TPI Polene Co. shares at Baht88 (closing price: Baht94). Acceleration clause (130% rule). Puttable on 30/6/96 at 109.25%. Callable on 16/4/94,95 and 96 at 109.25% and on 16/4/97 at 100.5%. h) Coupon pays 6-month Libor + 1.5% for first 5 years and + 2.5% years thereafter. Callable on 21/4/98 at par. i) Issue launched on 11/3/93 was increased to $150m. Coupon pays 6-month Libor - 0.25%; minimum 5%, maximum 8%. j) Coupon pays 3-month Canadian interbank BA's - 0.25%; minimum 6.5%, maximum 9.5%. k) Borrowers full name: Controladora Comercial Mexicana. l) Denominations: £5,000 + 4,889 warrants. Entitlements: 1 share per warrant at 120p. m) Conversion price: £20.74. Callable at par from 21/7/98. n) Coupon pays 12.625% fixed annual in the first year and 21% - 6-month Libor thereafter. o) Coupon pays 3-month Libor + 0.35%. Callable from 23/4/95 at par. p) Coupon pays 4.25% fixed annual in the first 3 years and 3-month Libor - 0.125% in the last year. Puttable on 26/7/96 at par. q) Short 1st and 2nd coupons: 4.5% payments on 30/7/93 and on 27/4/94. Note: Yields calculated on ISMA basis.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close April 2

Quotations in cents unless marked $

MONTREAL

4 pm close April 2

Total Sales 26,821,300 shares

INDICES

NEW YORK DOW JONES

	Apr 2	Apr 1	Mar 31	Mar 30	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3370.81	3439.44	3435.11	3457.27	3478.34 (10/3)	3241.95 (20/1)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	106.13	106.45	106.54	106.46	106.58 (18/3)	103.48 (11/1)	106.58 (18/3/93)	54.99 (1/10/81)
Transport	1553.98	1580.15	1570.07	1572.29	1589.61 (8/2)	1453.84 (4/1)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	239.23	241.05	241.49	241.88	241.99 (10/3)	217.14 (8/1)	241.99 (10/3/93)	10.50 (8/4/32)

•DJ Ind. Day's High (ϕ) (3468.43) Low (ϕ) (3419.88) (Theoretical♣)
Day's High 3439.44 (3452.67) Low 3365.41 (3432.14) (Actual♣)

STANDARD AND POOR'S

	Apr 2	Apr 1	Mar 31	Mar 30	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	441.39	450.30	451.67	451.97	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	504.51	515.48	517.68	518.54	524.99 (10/3)	487.53 (18/2)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	43.98	44.80	44.70	44.66	45.43 (10/3)	39.69 (8/1)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	244.19	248.74	249.42	249.18	251.36 (10/3)	238.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	417.52	422.77	423.43	419.68	423.43 (31/3)	395.84 (8/1)	423.43 (31/3/93)	29.31 (9/12/72)
NASDAQ Composite	669.85	686.54	690.13	686.25	708.85 (4/2)	651.40 (23/2)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 26	Mar 19	Mar 12	year ago (approx.)
Dow Industrial Div. Yield	2.98	2.95	2.98	2.86

	Mar 31	Mar 24	Mar 17	year ago (approx.)
S & P Industrial div. yield	2.48	2.49	2.49	2.64
S & P Indl. P/E ratio	26.65	26.08	26.13	26.56

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	34,259,800	49¼	- 14⅞
RJR Nabisco	26,533,100	6¾	- 1¼
Wal-Mart	6,398,100	30⅜	- ¾
Time Warner	6,304,300	30¾	- 2⅛
Am Brands	4,763,200	30	- 3¾
Merck	4,263,300	34	- ⅝
UST	4,222,200	25⅞	- 3¼
Waste Man	4,097,900	31⅝	- 1⅛
Conner Peri	3,157,400	13⅝	- 1
Stone Cont	3,121,800	8¾	- 3⅞

TRADING ACTIVITY

† Volume (Millions)	Apr 2	Apr 1	Mar 31
New York SE	325.968	233.183	275.710
Amex	15.713	19.004	19.674
NASDAQ	(u)	246.686	257.924
NYSE			
Issues Traded	2,490	2,485	2,609
Rises	391	857	1,150
Falls	1,629	1,028	728
Unchanged	470	600	631
New Highs	67	113	184
New Lows	35	14	13

CANADA TORONTO

	Apr 2	Apr 1	Mar 31	Mar 30	1993 HIGH	1993 LOW
Metals & Minerals	2900.76	2926.43	2931.38	2916.94	2972.25 (9/2)	2743.31 (21/1)
Composite	3595.07	3614.60	3602.40	3586.10	3614.60 (1/4)	3275.80 (21/1)
MONTREAL Portfolio	1809.74	1821.23	1818.54	1814.57	1856.83 (23/3)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Apr 2	Apr 1	Mar 31	Mar 30	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1693.1	1698.8	1687.4	1678.2	1693.10 (2/4)	1495.00 (13/1)
All Mining (1/1/80)	678.8	672.9	670.7	669.8	678.80 (2/4)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	324.78	325.84	329.87	334.95	357.78 (9/3)	300.28 (14/1)
Traded Index (2/1/91)	767.59	769.48	778.69	791.58	860.17 (3/3)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1255.87	1261.68	1262.19	1255.33	1265.87 (2/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	279.85	278.19	279.12	277.72	289.64 (4/2)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1034.6	1029.3	1032.9	1033.1	1034.69 (2/4)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	539.10	543.25	545.31	547.37	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1990.82	2005.69	2031.38	2036.91	2036.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	655.12	658.96	663.24	659.92	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1863.3	1874.1	1886.6	1875.9	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1661.76	1671.58	1694.21	1695.07	1717.40 (11/3)	1518.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6404.44	6408.86	6388.66	6468.49	6508.00 (9/3)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1495.90	1515.69	1517.96	1480.73	1517.96 (31/3)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	476.44	479.73	475.81	476.91	538.72 (4/3)	446.33 (6/1)
MIB General (4/1/93)	1049.0	1060.0	1049.0	1053.0	1186.00 (2/3)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19449.94	19099.08	18591.45	18863.16	19449.94 (2/4)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1528.31	1471.19	1431.87	1452.54	1528.31 (2/4)	1250.06 (25/1)
2nd Section (4/1/68)	1894.90	1867.32	1873.03	1873.14	1884.90 (2/4)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	651.45	649.58	643.25	638.92	651.45 (2/4)	614.28 (13/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	327.0	327.1	328.5	327.5	328.50 (31/3)	295.70 (4/1)
CBS All Shr (End 1983)	219.8	219.9	220.9	220.2	220.90 (31/3)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	775.68	776.70	777.84	782.61	788.43 (29/3)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1480.30	1480.29	1452.87	1448.40	1543.15 (5/3)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	421.17	419.67	420.21	419.23	421.27 (24/2)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1232.0♥	1191.0	1205.0	1170.0	1232.00 (2/4)	775.00 (5/1)
JSE Industrial (28/9/78)	4399.0♥	4413.0	4426.0	4449.0	4645.00 (10/2)	4359.00 (5/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	681.37	685.61	686.75	665.02	709.77 (9/1)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	237.65	239.58	241.29	241.50	241.50 (30/3)	215.69 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1008.5	999.2	994.5	998.1	1039.00 (8/3)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	968.5	970.4	970.2	968.3	970.40 (1/4)	904.80 (11/1)
SBC General (1/4/87)	745.9	745.3	745.1	745.4	745.90 (2/4)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4946.62	4795.17	4825.29	4750.70	4946.62 (2/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	857.20	851.77	865.23	849.29	998.44 (25/1)	849.20 (30/3)
WORLD						
M.S. Capital Intl.(1/1/70) $	547.1*	541.7	537.2	535.7	547.10 (2/4)	489.60 (13/1)
Euro Top-100 (26/6/90)	941.44	945.01	947.38	945.48	952.32 (10/3)	862.73 (13/1)

**Saturday March 27: Taiwan Weighted Price: 4,606.65, Korea Comp Ex. 658.48. *Calculated at 15.00 GMT.
♥ Subject to official recalculation.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday April 2, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	63.7m	405	+60
Isuzu Motor	41.0m	536	+56
NKK	31.5m	340	+55
Nikko Kyodo Co	29.2m	545	+33
NEC Corp	28.3m	965	-14
Mitsubishi Heavy	26.9m	659	+29
Tokyo Gas	23.1m	593	+53
Furukawa Elec	22.6m	701	-29
Mitsui Min & Sml	20.3m	513	+3
Nippon Oil	20.2m	786	+36

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

Prices supplied by Telekurs

مكذامن الأجيال

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
[illegible]						

AIB Unit Trust Managers Limited (1000)F

Britannia Life Unit Managers Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mgrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

GT Unit Managers Ltd (1200)H

INVESCO MIM UT Mngrs Ltd (1200)F

M & G Securities - Contd.

NFU Mutual Unit Mngrs Ltd (1400)F

NM Unit Trust Mngrs (1200)F

Provident Mutual Unit Tst Mgrs Ltd (0805)H

Prudential Unit Trusts Ltd (1200)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071–379–0444.

FT MANAGED FUNDS SERVICE

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA 031-556 2340						
Equity Growth Acc	6	24.62	24.83xd	26.58	3.13	41349
Equity Growth Inc	6	20.85	21.03	22.61	3.13	41350
Intl Growth Acc	6	27.12	27.39xd	29.31	1.35	47291
Intl Growth Inc	6	25.76	25.99	27.82	1.35	41352
Global Income Acc	6	30.09	30.27	32.40	4.24	41353
Global Income Inc	6	23.78	23.93	25.61	4.24	41354
Market Leaders Acc	6	25.61	25.78	27.59	3.27	41355
Market Leaders Inc	6	21.33	21.47	22.98	3.27	41356
Scottish Widows' Fund Mngmt (0800)H						
PO Box 902, Edinburgh EH16 5BU 031-655 3724						
Equity Acc	6	473.4	477.2	508.0	3.11	41363
Equity Inc	6	334.5	337.2	359.0	3.11	41364
UK High Inc Acc	6	226.1	228.0	244.0	4.16	41365
UK High Inc	6	165.6	167.5	178.7	4.15	41366
Europe Acc	6	258.3	260.6	277.9	1.15	41367
Europe Inc	6	247.8	250.0	266.8	1.15	41368
Nth Amer Acc	6	184.7	185.6	208.8	0.37	41369
Nth Amer Inc	6	185.0	185.9	198.3	0.37	41370
Japanese Acc	6	237.3	237.3	253.0	-	41371
Global Acc	6	179.7	179.7	191.6	1.03	41372
Global Inc	6	168.3	168.3	179.5	1.03	41373
UK Spec Sits Acc	6	108.5	110.5	117.8	3.86	47739
UK Spec Sits Inc	6	97.23	99.08	105.6	3.86	47798
South East Asia	6	135.6	137.5	146.6	0.79	47323
Sumper Eadem Fund Mngt Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Sector Recovery	5	127.80	132.90	139.60	4.78	41515
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
AES European	5	107.50	108.30	114.00	1.41	-
AES Intl Bond & Conv	5	125.40	125.40	132.40	5.57	47424
AES Pooled Pension ♦	7	£153.5	167.4	169.4	-	47257
AES Smaller Cos	5	81.09	82.90	88.21	1.92	48003
AES UK General	5	117.50	119.30	125.60	2.75	-
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	392.92	392.92	418	4.96	40913

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	90.50	90.60	92.60	0.00	41596
Short Dtd Gilt	1¼	106.9	106.9xd	108.3	3.50	41597
U.S. Govmt Bond	1¼	$0.7132	0.7132	0.7228	0.00	41598
Gilt Income	4	52.12	52.12xd	54.23	7.50	47610
Gilt Growth	4	66.18	66.18	68.86	0.00	47009
City Reserve	0	52.45	52.46	52.46	5.83	47008
Woolwich Unit Trust Managers Ltd (1700)H						
2 White Oak Square, Swanley BR8 7AG 081-298 4000						
Stockmarket Fd F	5	66.37	66.51	70.78	2.06	[illegible]

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Int'l Expt Mar 31	650.5	672.51	1.14	40105
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1850 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.60	54.38	5.4	-
Income Plus	50.73	51.79	7.8	-
James Capel Fund Managers Ltd				
European Exempt	£109.802	110.011	2.85	-
Japanese Exempt	£132.316	134.584	0.74	-
Managed Exempt	£130.917	136.382	2.82	43122
North American Exempt	£101.633	103.93	1.18	-
Pacific Exempt	£110.447	112.858	3.06	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Feb 28	604.15	608.40	4.74	40251

INSURANCES

Continued on next page

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FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Pacific Life & Pensions Ltd

Reliance Mutual

Scottish Mutual Assurance plc - Contd.

Sun Life Unit Assurance Ltd - Contd.

Century Life International Ltd

IPS Capital Management PLC

Hambros Fd Mgrs - Contd.

GAM Fund Management Ltd - Contd.

Independent Financial Group PLC

Kleinwort Benson Intl Fd Mngrs Ltd

GT Asset Management (Ireland) Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

	Bid Price	Offer Price	Yield Gross	City-line
R & H Fund Managers Ltd				
LFM Sterling Fd.	£11.37	12.26	-	44455
SLF Offshore Inc Fd Ltd.	£12.32	12.84	-	46580
MC Offshore Fd.	£9.99	10.62	-	46450
Nelson Mllms WW S/S	£11.91	12.28	-	46581

JERSEY (SIB RECOGNISED)

Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Grs	City-line
AIB Fund Managers (CI) Ltd						0534 36633
PO Box 468 St Helier Jersey						
AIB Currency Funds Ltd						
Intl Managed Bond	5		£- 22.7879	22.7880	-	47537
Managed Capital Bd	5		£- 22.6865	22.6916	-	47754
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	11.1549	-	44685
Sterling Currency Fd	5		£-	10.7262	-	44683
Ecu Currency	5		Ecu-	11.1820	-	46682
US Dollar Mngd Curr	5		$-	22.1325	-	47536
Barclays International Funds						0534 67888
PO Box 152, St Helier, Jersey CI						
Australian Eq (Inc)	6¼	£1.029	1.029	1.100	0.9	44738
Global Income (Inc)	5¼	£0.551	0.556	0.585	2.6	44739
Global Resources	5¼	£0.453	0.458	0.490	0.2	44742
Currency Funds						
Stlg Premium Income		£10.05		10.06xd	5.3	47926
Sterling			£-	23.93	6.1	44718
US Dollar			$-	32.85	1.8	44719
Deutschemark			DM-	82.00	7.2	44720
Yen			Y-	4240	3.0	44721
Managed Multicurrency			£- 15.22	15.79	-	44722
Managed Multicurrency			$- 26.16	27.07	-	44723
Bond Funds						
Sterling Bond	3½		£- 0.439xd	0.454	9.0	44724
Capital House Fund Mgrs (CI) Ltd (0800)H						0534 74689
PO Box 189, St. Helier, Jersey						
Capital House International Growth Funds Ltd ◆						
Equities						
UK Equity	5½	£1.487	1.506	1.600	-	44810
North American	5½	$1.749	1.775	1.884	-	44811
Japanese	5½	$1.644	1.810	1.897	-	44812
Pacific Basin	6½	$2.972	3.026	3.212	-	44813

	Bid Price	Offer Price	Yield Gross	City-line
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd.	$3.9831	4.2435	-	45691
Offshore Japanese Gwth Fd.	$1.1205	1.1906	-	47890
Offshore Am Gwth. Fd.	$6.7999	7.2231	-	45692
Offshore Emerging Cos.	$4.4626	4.7250	-	45693
Offshore European Fd.	$1.6225	1.7243	-	45694
Offshore Asn Smllr Mkts	$0.9467	1.0062	-	-
Offshore Global Bond	$1.0289	1.0719	-	-
Offshore Global Bond Acc.	$1.0289	1.0719	-	-
Offshore Far Estrn Fd.	$2.8078	2.9837	-	45698
Offshore UK Growth Fd.	£2.2112	2.3499	-	45699
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Mar 26	$4.92		-	47465
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£16.38	16.63	1.43	45838
LFM Defensive Strtgy	£12.40	13.07	-	41863
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (X)†	100.60	101.70	6.78	46738
International Bond (X)†	$1.1690	1.184	5.15	46740
†Prices on Mar 31. Next dealing Apr 7.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling	£37.1330		5.09	45763
US $	$49.0091		1.78	45764
D-Mark	DM85.1545		7.47	45765
Swiss Franc	SFr78.4617		3.76	45766
Yen	Y5193.36		2.08	45767
Scimitar Worldwide Money Fund Ltd				
Sterling	£25.9902		6.26	45808
US $	$37.4884		2.48	45809
D-Mark	DM82.1414		7.19	45810
Swiss Franc	SFr60.7147		3.54	45811
Japanese Yen	Y7731.0723		2.68	45812
Australian $	A$42.1548		4.65	45813
Canadian $	C$34.8458		5.21	45814
Ecu	Ecu16.5234		8.80	45815
US$ Managed	$38.2007	40.4131	2.44	45816
Sterling Managed	£23.9719	24.7139	4.01	45817
Scimitar Worldwide Selection Fd Ltd				
Equity Class Funds				
American	$15.20	16.14	-	45778
Asian Smllr Mkts	$17.64	18.74	-	45779
European	$11.03	11.72	-	45780
Gold	$3.444	3.662	-	45781
Japanese	$28.66	30.67	-	45782
Pacific Basin	$21.58	22.91	-	45783

	Bid Price	Offer Price	Yield Gross	City-line
Global Asset Management-Contd.				
Swiss Registered Funds				
GAM (CH) Mondial	SFr1440.45		-	43763
GAM (CH) Pacific	SFr2170.01		-	43766
GAM (CH) America	SFr1727.61		-	43764
GAM (CH) Europe	SFr87.65		-	43767
SIB Registered Funds				
GAM Global Fd.	$111.01		-	45110
GAM International Fd.	$145.42		-	45114
GAM Nth America Fd.	$126.49		-	47982
GAM Pacific Basin Fd.	$138.94		-	45122

	Bid Price	Offer Price	Yield Gross	City-line
ORIENT Growth Fd NAV	$9.91		-	47885
PFC Internatl Portfolio Fd Mngt Ltd				
Specialist Growth Fd.	$2.62		-	45156
Balanced Growth Fd.	$2.44		-	44955
Sterling Income Fd.	£1.63		-	45155
PFC-LCC & B	$13.03		-	45159
PFC LCC & B Stg Class	£10.86		-	-
PFC Cap Growth P'folio	$12.73		-	44963
PFC Dynamic Mng P'folio	$10.62		-	44962
PRS International				
PRS Dlvd Return	$8.62		-	45587
	$13.77		-	47865

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on dollar

ALL EYES will be on the US dollar this week, after Friday's non-farm payroll figure for March was worse than dealers had expected, *writes James Blitz*.

The payroll figure is the most important indicator affecting the dollar in the money markets, and tends to cast its shadow over dealing for some days afterwards.

Many dealers had been expecting a monthly rise in the payroll of only 80,000 by last Friday morning.

UK clearing bank base lending rate 6 per cent from January 26, 1993

But, far from rising, the number of people in work actually contracted on the month by 22,000, taking the dollar as low as DM1.5870 on Friday afternoon.

The later rebounded above DM1.60 in the European afternoon, but dealers hoping that the dollar will stay above that level have little to hope for from this week's US indicators.

The consumer prices figure for March, which is due on Good Friday, may indicate whether there is an upturn in inflation inside the US economy. Increased US inflation would raise expectations that the Federal Reserve might raise its official short term interest rates, a move that would be positive for the dollar.

However, Mr Gerard Lyons, chief economist at DKB International in London, believes that last week's US indicators suggest that any rise in inflation will be on the modest side.

There are expectations, however, that the Bundesbank will shave the rate at which it offers wholesale funds to commercial banks in its weekly operation on Wednesday.

There was disappointment that the Bundesbank did not ease official rates last week. However, the discount rate is now some 67 basis points below the Bundesbank's repo rate, leaving scope for money market rate cuts.

£ IN NEW YORK

Apr.2	Close	Previous Close
£ Spot	1.5210-1.5220	1.5295 1.5305
1 month	0.35-0.34pm	0.36 0.35pm
3 months	1.03-1.01pm	1.03 1.01pm
12 months	3.36-3.28pm	3.25 3.16pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Apr 2	£	$
Argentina	1.5320 - 1.5335	0.9990 - 1.0000
Australia	2.1920 - 2.1940	1.4295 - 1.4305
Brazil	39043.5 - 39054.5	25480.5 - 25487.5
Finland	8.8835 - 8.9155	5.7750 - 5.7950
Greece	330.100 - 336.700	216.200 - 219.500
Hong Kong	11.8405 - 11.8545	7.7310 - 7.7320
Iran	2286.00*	1538.00*
Korea(Sth)	1205.75 - 1225.20	792.10 - 798.30
Kuwait	0.46150 - 0.46250	0.30125 - 0.30175
Luxembourg	50.10 - 50.20	33.00 - 33.10
Malaysia	3.9680 - 3.9780	2.5900 - 2.5910
Mexico	4.7415 - 4.7445	3.0920 - 3.0940
N.Zealand	2.8850 - 2.8890	1.8815 - 1.8840
Saudi Ar	5.7405 - 5.7520	3.7495 - 3.7505
Singapore	2.4955 - 2.5020	1.6390 - 1.6400
S.Af (Cm)	4.8500 - 4.8615	3.1700 - 3.1720
S.Af (Fn)	6.9470 - 6.9820	4.5300 - 4.5400
Taiwan	39.95 - 40.10	26.05 - 26.15
U.A.E.	5.6210 - 5.6340	3.6715 - 3.6735

*Floating rate. Iran Official rate £98.50 $66.30

CURRENCY RATES

Apr 2	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.920818	0.793470
U.S Dollar	3.00	1.39968	1.21615
Canadian $	6.09	1.76122	1.53053
Austrian Sch	7.00	15.9144	13.6418
Belgian Franc	7.00	46.0058	39.9476
Danish Krone	10.00	8.68301	7.45441
D-Mark	7.50	2.25852	1.93655

POUND SPOT - FORWARD AGAINST THE POUND

Apr 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5150 - 1.5290	1.5170 - 1.5180	0.36-0.34cpm	2.77	1.05-1.02pm	2.73
Canada	1.9100 - 1.9325	1.9110 - 1.9130	0.14-0.07cpm	0.66	0.27-0.14pm	0.43
Netherlands	2.7300 - 2.7475	2.7325 - 2.7425	⅛-½cdis	-1.92	1-1⅛dis	-1.74
Belgium	50.00 - 50.35	50.10 - 50.20	8-15cdis	-2.75	27-34dis	-2.43
Denmark	9.3325 - 9.4175	9.3650 - 9.3750	3⅞-5¼oredis	-6.00	13-16¼dis	-6.24
Ireland	0.9985 - 1.0045	0.9995 - 1.0005	0.29-0.34cdis	-3.78	0.80-0.89dis	-3.38
Germany	2.4275 - 2.4425	2.4325 - 2.4375	⅜-⅝pfdis	-2.46	1¼-1⅜dis	-2.16
Portugal	224.50 - 227.25	225.25 - 226.25	272-298cdis	-15.15	597-656dis	-11.10
Spain	173.45 - 175.55	173.85 - 174.15	110-121cdis	-7.97	329-357dis	-7.89
Italy	2417.75 - 2453.25	2419.25 - 2420.25	11-13liredis	-5.95	35-38dis	-6.03
Norway	10.3300 - 10.4375	10.3600 - 10.3700	1⅞-2⅞oredis	-2.75	7¼-7⅝dis	-2.87
France	8.2575 - 8.3050	8.2700 - 8.2800	3-3⅜cdis	-4.62	8⅛-8⅞dis	-4.11
Sweden	11.3950 - 11.6650	11.5050 - 11.5150	3⅝-4⅛oredis	-4.37	11⅛-12⅞dis	-4.13
Japan	173.10 - 174.95	172.75 - 173.75	½-¼ypm	3.03	1¼-1⅛pm	2.74
Austria	17.08 - 17.28	17.12 - 17.15	1⅞-3¼grodis	-1.97	6¼-8⅞dis	-1.74
Switzerland	2.2475 - 2.2650	2.2500 - 2.2600	¼-⅛cpm	1.00	½-¼pm	0.67
Ecu	1.2535 - 1.2635	1.2560 - 1.2570	0.34-0.39cdis	-3.49	0.93-1.01dis	-3.08

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.97-1.92pm. 12 Month 3.36-3.28pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5150 - 1.5390	1.5170 - 1.5180	0.36-0.34cpm	2.77	1.05-1.02pm	2.73
Ireland†	1.5130 - 1.5350	1.5160 - 1.5170	0.72-0.67cpm	5.50	2.15-2.05pm	5.54
Canada	1.2565 - 1.2630	1.2605 - 1.2615	0.21-0.24cdis	-2.14	0.74-0.80dis	-2.44
Netherlands	1.7830 - 1.8050	1.8035 - 1.8045	0.70-0.73cdis	-4.76	1.97-2.03dis	-4.43
Belgium	32.70 - 33.10	33.00 - 33.10	14.50-15.50cdis	-5.45	40.00-44.00dis	-5.08
Denmark	6.0950 - 6.1800	6.1725 - 6.1775	4.50-6.50oredis	-10.69	12.50-14.50dis	-8.74
Germany	1.5850 - 1.6085	1.6045 - 1.6055	0.69-0.70pfdis	-5.20	1.92-1.95dis	-4.82
Portugal	147.00 - 149.30	149.15 - 149.25	205-220cdis	-17.09	490-525dis	-13.61
Spain	113.50 - 115.00	114.90 - 115.00	101-105cdis	-10.75	298-307dis	-10.53
Italy	1582.50 - 1604.00	1594.25 - 1594.75	11.30-12.30liredis	-8.88	34.50-36.50dis	-8.91
Norway	6.7500 - 6.8350	6.8275 - 6.8325	3.00-3.30oredis	-5.53	9.00-9.80dis	-5.51
France	5.3850 - 5.4575	5.4500 - 5.4550	3.30-3.45cdis	-7.43	9.35-9.65dis	-6.97
Sweden	7.4575 - 7.6150	7.5825 - 7.5875	4.20-4.80oredis	-7.12	12.85-13.95dis	-7.07
Japan	113.60 - 114.50	114.10 - 114.20	0.01-0.02ydis	-0.16	0.01-0.03dis	-0.07
Austria	11.1575 - 11.2250	11.2100 - 11.2150	4.25-4.50grodis	-4.68	11.60-12.40dis	-4.28
Switzerland	1.4680 - 1.4880	1.4850 - 1.4860	0.29-0.32cdis	-2.46	0.74-0.79dis	-2.06
Ecu†	1.2060 - 1.2215	1.2090 - 1.2100	0.65-0.64cpm	6.40	1.85-1.82pm	6.07

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Apr.2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.517	2.435	173.2	8.275	2.255	2.737	2420	1.911	50.15	174.0	1.256
$	0.659	1	1.605	114.2	5.455	1.486	1.804	1595	1.260	33.06	114.7	0.828
DM	0.411	0.623	1	71.13	3.398	0.926	1.124	993.8	0.785	20.60	71.46	0.516
YEN	5.774	8.759	14.06	1000.	47.78	13.02	15.80	13972	11.03	289.5	1005	7.252
F Fr.	1.208	1.833	2.943	209.3	10	2.725	3.308	2924	2.309	60.60	210.3	1.518
S Fr.	0.443	0.673	1.080	76.81	3.670	1	1.214	1073	0.847	22.24	77.16	0.557
N Fl.	0.365	0.554	0.890	63.28	3.023	0.824	1	884.2	0.698	18.32	63.57	0.459
Lira	0.413	0.627	1.006	71.57	3.419	0.932	1.131	1000.	0.790	20.72	71.90	0.519
C $	0.523	0.794	1.274	90.63	4.330	1.180	1.432	1266	1	26.24	91.05	0.657
B Fr.	1.994	3.025	4.856	345.4	16.50	4.497	5.458	4826	3.811	100.	347.0	2.504
Pta	0.575	0.872	1.399	99.54	4.756	1.296	1.573	1391	1.098	28.82	100.	0.722
Ecu	0.796	1.208	1.939	137.9	6.588	1.795	2.179	1927	1.521	39.93	138.5	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	6.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Yorkshire Bank	6
CL Bank Nederland	6	Julian Hodge Bank	6		
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

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MONEY MARKET FUNDS

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Money Market Bank Accounts

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		16⅝xd	1.5	88c	FeMyAuNv	12.1	1503
Allegheny & W	♥	546p	-4.2	30c	–	–	–
Amdahl		400p	-9.1	10c	NvFeJeAe	31.1	–
Amer Cyanamid		33¾	-1.8	$1.65	MrJeSeDe	4.3	–
Amer Express		17¾xd	-4.7	$1.00	FeMyAuNv	30.3	1594
Amer T & T		37⅝xd	-3.9	$1.32	FeMyAuNv	29.12	1597
AmeriTech		38¼	-1.5	$3.88	FeMyAuNv	28.3	–
BankAmerica		32⅛xd	-2.4	$1.40	MrJeSeDe	18.2	1744
Bankers NY		48⅜xd	-5.3	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		36½	–	$2.68	FeMyAuNv	4.7	–
BellSouth		37	-.8	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	11⅛xd	-3.8	–	MrJeSeDe	8.2	1821
Bowater		1468pxd	-7.9	60c	OcJaApJy	8.3	1884
CPC		29⅝xd	-3.3	$1.28	JaApJyOc	28.3	2263
Cadiz Land Inc	♥	114p	–	–	†	–	–
California Engy		1436p	–	–	–	–	–
Chase Manhattan		22⅝xd	-3.7	$1.20	FeMyAuNv	26.1	2109
Chrysler		25⅞xd	-3.5	60c	ApJyOcJa	16.3	2135
Citicorp		18⅛xd	-2.5	–	–	23.10	2141
Colgate-Palm		42⅞xd	-3.8	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1857p	2.5	60c	DeMrJeSe	31.5	–
Dana		38½xd	-1.8	$1.60	MrJeSeDe	24.2	2309

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BUILDING MATERIALS - Cont.

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MERCHANT BANKS

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METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

OIL & GAS - Cont.

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OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MOTORS

[illegible]

STORES

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

OIL & GAS

[illegible]

TELEPHONE NETWORKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
BT	†□	440	2.3	14.4	1.9	Feb Sep	14.12	1925
Cable & Wire	†□	738	1.5	13.25	2.1	Feb Oct	30.11	2028
7pc Cv Ln '08		£182	1.7	Q7%	–	Sep Apr	15.2	1389
GN Gt Nordic		£37½	—	Q12%	–	Aug	20.5	2712
Hawthorn Leslie	□	1½	—	–	–	–	6'90	2854
Nth Telecom $		£24	–16.2	Q38c	–	MrJnSeDe	6.6	–
Securicor		980	—	2.82	10.0	Apr Sep	15.2	3979
A N/V	□	598	–5	2.82	ϕ	Apr Sep	15.2	3980
Security Servs	□	590	0.2	6.83	4.0	Apr Sep	15.2	3986
Vodafone	†□	389	2.4	5.8	1.8	Feb Aug	4.1	8855

TEXTILES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Albion		82	—	3.0	4.3	Mar Jul	1.2	1546
Alexandra Work.	□	120	–.8	3.6	0.6	Jun Dec	2.11	1584
Allied Textile		483	—	12.6	2.5	Sep Apr	15.2	1558
Atkins		118	—	7.8	0.3	Jan Jul	14.12	1665
Baird (Wm)	□	267	–7.3	8.9	ϕ	Jan Apr	30.11	1733
Beckman A		82	1.6	4.78	1.1	Jan Jun	5.10	1790
Brit Mohair		154xd	–1.3	8.5	ϕ	May Oct	29.3	1817
Caldwell Invs		25	2.0	–	–	–	–	5166
Carpet Intl	†	228	–4.2	11.1	2.7	Nov Jun	21.9	2048
Castle Mill Intl	□	9¾	–9.3	–	–	–	4'91	3128
Celestion		152	—	1.4	–	Jul	11.5	2069
Claremont	□	318xd	–3.6	7.25	ϕ	Jan Jul	29.3	2082
Coats Viyella	□	234	3.1	7.25	1.2	Jan Jul	2.11	2176
Conrad Contl		5	–8.1	–	–	–	3'91	4253
Courtaulds Text	□	577	–.3	13.6	2.4	May Oct	15.3	5305
Cupid		34	–2.9	3.25	2.8	Oct	10.8	5278
Dawson Intl	□	233	0.4	9.0	1.1	Aug Jan	30.11	2320
Dewhirst	†□	61½	0.8	0.72	4.2	Jul Nov	7.9	2349
Drummond	‡	23	4.5	1.5	1.2	Jan Oct	10.8	2381
Dunkeld	□	28	–9.7	–	–	–	10.12	3438
Fancel Trdg		66	–8.3	4.9	2.1	Feb Aug	4.1	4768
Forminster	†	488	—	12.53	3.8	Feb Sep	4.1	2818
Foster (J)		28	11.1	0.5	–	Jul	1.6	2825
French (T)		68	–2.9	3.63	0.7	Mar Aug	1.2	2832
Gabicci	□	48	8.2	2.8	2.4	Nov	21.9	2852
Gaskell		85	—	2.75	ϕ	Oct Jul	21.9	2860
Gent (SR)		52xd	–1.0	2.0	1.7	Apr Nov	29.3	2881
Haggas (J)		121	—	3.0	3.1	Nov Apr	15.3	2801
Hawtin	□	12	–7.7	0.89	1.5	Apr	1.3	2858
Helene	□	24½	4.3	2.01	ϕ	Dec Jul	30.11	2886
Hicking Pent	†	185	–.5	3.4	3.4	Aug Jan	30.11	2884
Holtes	□	18½	15.6	1.2	0.2	Apr Oct	1.2	2908
Honeysuckle		51	—	1.6	6.3	Jan Apr	1.3	2918
Hse of Lerose	□	189	34.0	10.3	ϕ	Dec Jun	2.11	2928
Ingham	†g	112	–4.3	3.0	1.5	Jun Oct	7.9	2980
Jacques Vert	‡	83	—	2.0	–	Apr	1.2	3018
Jerome	‡	50	—	1.0	–	–	11'91	3035
Lamont	g	313	–1.9	12.0	1.8	Jul Dec	2.11	3125
Leeds	h	419	—	7.39	2.6	Feb Jul	14.12	3147
Leslie Wise	□	70	—	4.0	1.2	Oct Apr	1.3	3158
Lister		37	5.7	0.1	–	Apr Oct	13.7	3168
Lowe (RH)		4	—	–	–	–	–	3227
Lyles (S)		103	–4.6	4.9	1.8	Jan Jun	19.10	3236
Martin Intl	g	92	—	4.4	1.7	Jan Jul	16.11	3304
Parkland A		98	–1.0	2.0	–	Jan Jul	4.1	3603
PEX		21	2.4	–	–	–	5'90	3500
Readicut Intl	□	62	–.5	3.44	1.5	Feb Aug	30.11	3798
Rexmore		27½	—	1.75	2.2	Jan Oct	14.12	3817
Richards		71	–2.7	4.0	0.1	Jul Mar	18.1	3828
SEET		42	–2.3	–	–	–	3'90	3858
Shani		120	—	4.4	2.1	Jan Jul	30.11	5032
Sherwood Grp	†h□	155	6.9	2.28	4.4	Nov May	5.10	4782
Shiloh		94	—	2.75	1.3	Dec Jun	2.11	4911
Sirdar	□	99xd	0.6	5.15	1.1	Nov May	29.3	4090
Stirling Grp	□	57	1.8	1.85	1.4	Jan Oct	14.12	4118
Stoddard Sks	□	44	—	2.63	1.3	Jan Jul	30.11	4121
Tomkinsons		305	–.3	11.5	1.0	Feb Jun	30.11	4247
Toray Y		361	0.3	Q14%	1.5	Dec Jun	28.6	4258
Utd Uniform		88	–3.3	3.0	ϕ	Jul Nov	7.9	1581
Usher (F)	†	98	—	5.0	2.5	Oct Apr	1.3	4308
Victoria Carpet		180	—	4.5	2.7	Oct	27.7	4481
Vivat		30xd	–2.7	1.0	ϕ	May	29.3	4408
Wensum	‡	38	—	3.5	1.6	Jul Nov	2.11	4913
West Trust	g□	48	–2.1	2.5	–	Nov	24.8	4464
Worthington	†g	38	2.6	1.4	2.4	Apr Oct	15.2	4543
Yorklyde		354	1.1	9.7	2.2	Jul Dec	15.6	4588
Youghal IE		4	—	–	–	–	9'77	1489

TRANSPORT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Assoc Br Ports	□	385	–.3	8.8	–	May Nov	15.3	1876
All Nippon Air		571	–1.6	Q10%	1.0	Jun	–	4854
BAA	†□	809	1.8	14.5	3.5	Jan Aug	16.11	1721
Bergesen NKr		69¾	–2.2	Q40%	ϕ	May	28.4	5063
British Airways	□	295	4.6	10.8	3.1	Jan Apr	30.11	1891
Cap 9¾pc Cv		143¼	2.1	Q9¾%	–	Nov	15.2	5304
CSX A$		$45½	–1.9	Q$1.52	2.5	MrJnSeDe	4.3	–
Cathay Pac HK$	♥	82	2.5	Q42c	ϕ	Jan Oct	–	–
Clarkson (H)	□	68	–5.6	1.6	–	Nov Jul	19.10	2157
Davies & N'wmn		238	—	–	–	–	7'90	2314
Dawsongroup		202	—	3.0	ϕ	Jan Nov	7.9	1811
Eurotunnel Uts	□	455	–7.1	–	–	–	–	4587
Fisher (J)		51xd	5.2	1.0	ϕ	Nov May	29.3	2580
Forth Ports	□	240	2.6	6.25	ϕ	Nov May	5.10	1382
GATX $		£23⅛	–4.1	Q$1.40	–	MrJnSeDe	2.3	2682
Graig Shipg	□	138	—	4.5	–	Sep Jan	4.1	2748
IoM Steam		150xd	0.6	Q40%	2.1	May Sep	29.3	2953
Jacobs (JI)		28xd	–1.9	0.5	–	Oct	29.3	3017
Lon O'Seas Frts		67	—	1.25	9.9	Jul	1.6	3208
Man Ship Can		£22⅛	–.6	4.5	36.6	Mar	15.2	3277
Mayne Nick A$	‡	330	–2.7	Q25c	1.1	Oct Apr	25.3	4583
Mersey Docks	□	345xd	0.6	7.5	ϕ	Nov May	29.3	3353
NFC Var Vtg	□	254	–.8	6.55	1.9	ApJyOcDe	1.2	5408
National Express	□	182	—	7.12	ϕ	Nov May	–	1118
Norex	□	135	–2.2	2.0	11.8	Dec	19.10	3509
Norish IE		128	13.6	Q70½%	1.5	Oct May	5.10	1468
Ocean Grp	□	285	0.7	14.33	ϕ	Jan Nov	21.9	3545
Ocean Wilsons	□	49	2.1	2.66	4.8	Jul Dec	16.11	3546
P & O Dfd	g□	585xd	–2	30.5	1.0	Jun Nov	29.3	3578
5½pc Pf		131	0.8	5½%	–	Jul	11.5	3588
6¾p Cv Pf		118	1.7	6.75	–	Jan Jul	16.11	3590
Powell Duffryn	□	531	1.5	22.6	1.1	Jan Aug	30.11	3703
Sea Containers $		1717	–4.3	Q70c	–	FeMyAuNv	31.1	3968
Seacon		130	—	5.1	3.1	Oct Apr	15.2	3958
Seafield IE		14½	–3.3	–	–	–	4'90	1476
TIP Europe	□	27	–1.8	1.4	2.5	Jan May	16.11	4872
TNT A$		37½	–7.4	–	–	–	3'91	4242
Tibbett & Britten		715	–4.4	11.8	ϕ	May Oct	21.9	4228
Tiphook	†□	379	3.0	17.3	2.4	Jan Oct	4.1	4238
Transport Dev.	□	274	5.8	9.5	ϕ	Nov May	15.3	4292
Vard NKr		127⅞	35.3	–	–	–	–	–
Wah Kwong HK$		118	–3.3	Q5c	2.6	Jul Dec	–	–

WATER

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglian	†□	648	2.8	19.3	2.4	Oct Feb	4.1	5402
Bristol Water	†	938	0.9	28.0	2.3	Feb Oct	4.1	–
Cheam A	†	248	—	7.5	2.9	Jan Aug	4.7	–
B N/V	†	235	—	7.5	2.9	Jan Aug	4.1	–
East Surrey	†	335	0.6	9.56	3.4	Jan Jul	14.12	2405
Mid Kent	†	294	2.8	9.5	2.9	Jan Jul	30.11	4389
North West	†□	528	2.9	18.67	2.4	Oct Feb	14.12	5422
Northumbrian	†□	647	1.1	20.5	3.8	Oct Mar	14.12	5412
Severn Trent	†□	526	3.7	19.3	2.9	Oct Apr	14.12	5432
Southern	†□	543	2.5	19.5	2.1	Oct Apr	4.1	5442
South Staffs	†	1325	2.7	40.2	3.1	Jan Jul	30.11	–
South West	†□	583	2.9	21.7	2.5	Sep Mar	14.12	5452
Thames	†□	555	2.0	19.2	2.3	Sep Feb	16.11	5462
Welsh	†□	603	1.2	21.4	3.3	Oct Mar	14.12	5472
Wessex	†g□	635	–.5	19.5	3.0	Oct Apr	4.1	5482
Yorkshire	†□	582	1.7	19.5	2.6	Oct Mar	14.12	5492

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£10⅜	1.2	Q360c	1.7	Oct Apr	22.3	–
Barlow Rand		58	–5.9	Q173c	5.2	Jan Jul	1.2	1760
Gold Flds Prop		61	—	Q50c	ϕ	Sep Feb	1.2	2718
NK Props	h	95	—	Q95.6c	1.8	Mar Nov	19.10	–
OK Bazaars	‡	95	–8.7	Q37c	–	Dec	23.11	5223
SASOL	♥	272	–2.9	Q78c	ϕ	Oct	23.9	3918
SA Brews		863	–5.0	Q123c	ϕ	Dec Jul	30.11	4713
Tiger Oats		600	–7.7	Q79c	2.8	Jan Jul	16.11	5222
Tongaat-Hulett		308	—	Q73c	2.6	Feb Aug	4.1	5221

PLANTATIONS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Rubbers, Palm Oil								
Anglo-East	Z	35	—	0.38	–	Jul	1.6	1619
Bertam		88	—	2.5	0.9	Jul Feb	1.2	1616
Cons Plants M$		47	2.2	Q14c	1.0	Apr Nov	15.3	4061
Golden Hope M$		42xd	–2.3	Q8c	1.2	May Nov	29.3	2839
Highlands M$		29	—	Q11¼c	0.9	Jun Nov	5.10	2883
Kuala Kepong M$		84	—	Q15c	1.9	Apr Oct	15.2	3109
Rowe Evans		47	–2.1	1.8	1.3	Aug	15.6	3898
Teas								
Williamson		420	—	28.0	1.3	Mar Oct	13.1	4512

MINES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Central Rand								
Durban Deep		253	15.0	–	–	–	12'86	2389
East Rand Prp		189	7.4	–	–	–	6'87	2399
Randfont'n Est.	†	392	15.3	Q65c	3.8	Feb Aug	13.1	3767
West Rand		60	—	–	–	–	27.1	–
Eastern Rand								
AFMN	♥Z	1	—	Q0.5c	–	Apr	–	–
Bracken		24⅞	–2.0	Q50c	1.3	Jan Dec	28.10	1928
East Daggs	‡	121	24.7	Q58c	1.0	Dec Jun	31.5	2398
Eastern Trans	‡	37	32.1	Q14c	1.6	Jul Jan	30.12	–
ERGO		93	24.0	Q50c	3.0	Dec Jun	20.5	2398
Grootvlei		96½	16.3	Q58c	ϕ	Sep Mar	27.7	2779
Kinross		653	11.6	Q245c	1.8	Jun Dec	28.10	3082
Leslie		84	19.8	Q20c	2.4	Jun Dec	28.10	3157
Randex		10	66.7	–	–	–	12'86	–
Winkelhaak		837	11.8	Q50c	12.1	Jan Dec	29.4	4522
Far West Rand								
Blyvoor		83½	12.8	Q30c	3.0	Feb Aug	12.8	1857
Buffels	†	488	21.5	Q180c	1.0	Mar Sep	27.7	2809
Deelkraal		64	17.4	Q30c	3.0	Feb Aug	30.12	2330
Doornfontein		28	107.4	–	–	–	6'89	2364
Driefontein		579	–2	Q165c	1.6	Aug Feb	30.12	1082
Elandsrand		237	12.3	Q80c	3.5	Mar Sep	12.8	2432
Hartebeest	‡	186	18.3	Q95c	1.3	Jan Jul	30.12	2841
Kloof		614	0.8	Q88c	3.3	Feb Aug	30.12	3104
Southvaal		£10	3.2	Q285c	1.0	Sep Mar	12.8	4065
Stilfontein		59	16.8	Q30c	ϕ	Mar	28.1	4117
Vaal Reefs		£31½	6.8	Q1110c	2.6	Mar Sep	15.2	4392
Western Areas		71⅞	24.2	–	–	–	1'87	4476
Western Deep		£13½	9.4	Q310c	3.5	Mar Sep	12.8	4477
Zandpan	‡	32	18.5	Q15¼c	1.0	Aug Jan	3.7	1234

MINES - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
O.F.S.								
Beatrix		208	4.5	Q78c	0.9	Apr Oct	16.9	1782
FS Cons		551	4.0	Q235c	1.9	Jun Dec	20.5	2620
Free State Dev		16	33.3	–	–	–	–	2830
Harmony	‡	215	5.9	Q50c	3.8	Feb Aug	3.4	2833
Joel (HJ)		22	29.4	–	–	–	–	3044
Loraine		45¾	35.8	–	–	–	14.11	3220
St Helena		375	7.1	Q120c	ϕ	Mar Sep	27.7	4087
Unisel		130	23.8	Q15c	3.3	Jan Dec	29.4	4358
Diamond and Platinum								
Anglo Am Inv		£10½	–2.0	Q382c	1.0	Dec Jun	28.10	–
De Beers Lkd Uts		£10⅞	–.6	Q241.6c	ϕ	Nov May	2.10	2322
40pc Pf		350	–3.3	Q280c	x	Feb Aug	1.7	–
Impala Plat	‡	737	7.3	Q170c	1.3	Apr Oct	24.2	2970
Lydenburg	‡	680	—	Q135c	1.3	Mar Oct	14.10	–
Northam Plat		231	4.1	–	–	–	–	3523
Rustenburg		89	–1.4	Q230c	1.4	Mar Sep	22.2	3890
Central African								
Wankie Col Z$		11	—	Q15c	5.0	Nov	20.5	4424
Willoughby's		80	—	2.8	7.4	Apr Aug	15.2	1372
Pfd		23	—	2.8	–	Aug Apr	15.2	5291
Zambia Cor $BD		71	–1.4	–	–	–	9'80	4568
Finance								
Ang Am Coal R		£12¼	2.1	Q465c	2.3	Dec Jun	23.11	1607
Anglo Amer R		£16¼	7.4	Q345c	2.1	Jan Aug	17.12	1608
Ang Am Gold R	†	£31⅜	4.8	Q975c	1.0	Jun Dec	28.10	1609
Anglo Pac Res	□	14½	–14.7	–	–	–	4'89	3529
Anglovaal R		£11¼xd	0.3	Q100c	3.2	Apr Nov	29.3	–
Antofagasta		868	3.0	Q20.0	ϕ	Dec Jun	19.10	1626
5pc Pf		66	—	Q4.9	–	Dec Jul	27.11	–
Bisichi Mining 10p		23	4.5	0.6	1.2	Aug	13.7	1839
Cluff Res.	□	11½	—	–	–	–	3'92	2167
Gembel R		78	–8.2	Q34c	1.0	Mar Oct	16.9	–
Gencor R		148	–.7	Q45c	1.3	Nov Mar	2.11	4058
Gold Fields SA R		1178	8.8	Q200c	1.6	Mar Sep	28.1	2717
Jo'burg Cons R		785	4.7	Q132c	2.3	Apr Oct	30.9	–
Middle Wit R	†	118	2.6	Q7c	2.0	Oct Apr	17.8	–
Minorco $	†	910	–1.3	Q34c	2.3	Nov May	30.9	1237
Monarch Res		87	3.6	–	–	–	–	3401
Non/Int Cv 1993		66	4.8	–	–	–	–	–
New Wits R		140	3.7	Q52c	1.1	Feb Sep	27.1	–
OFS Invs R	†	£12⅝	6.9	Q611c	1.0	Jun Dec	20.5	3584
Rand Mines R		29¼	5.0	Q315c	3.5	Jul Jan	1.2	3785
Rand Mine Props R		133	15.7	Q85c	1.2	Jan Jun	16.11	3788
Vogels		55	—	Q35c	1.0	Sep Feb	1.2	4407
Waverley		14	—	–	–	–	11'88	4743
Welkom R		343	10.6	Q158c	1.0	Jun Dec	11.5	4454
Australians								
Aztec Expln.	♥Z	23	4.5	Q1c	–	–	–	4624
Boulder Gold		5½	10.0	–	–	–	–	–
CRA	♥	611	–7.6	Q45c	ϕ	May Nov	31.10	2265
Centenary Intl.	♥	2½	—	–	–	–	–	–
Central Pacific	♥	35	–12.5	–	–	–	–	2893
Croesus	♥	7½	15.4	–	–	–	–	4826
Delta Gold	♥	71	7.6	–	–	–	–	–
Devex		28	—	–	–	–	–	2365
Dominion	♥	21	2.4	Q4c	1.4	Oct Jun	–	5084
Dragon Res	♥	6	—	–	–	–	–	4844
Equatorial Mining	♥	15	15.4	–	–	–	–	–
Forsayth	♥	12	—	–	–	–	–	4845
GM Kalgoorlie	♥	49½	3.3	Q3c	3.0	Oct	5.10	2720
Gwalia Cons	♥	48	–8.0	Q2c	–	Dec	–	4842
Helix Resources	♥	19	31.0	–	–	–	–	–
Julia	♥	9	12.5	–	–	–	–	4838
Kidston Gold	♥	107	9.2	Q23c	ϕ	JaSeDeMr	20.3	4829
Meekatharra	♥	17	6.3	–	–	–	–	3330
MIM	♥	102½	–6.4	Q5c	1.0	May Dec	11.2	3248
Molopo	♥	7	75.0	–	–	–	–	–
Montague Gold	♥	12	4.3	–	–	–	–	–
Mount Burgess	♥	27	8.0	–	–	–	–	4854
Mount Martin	Z	18	12.5	Q3c	–	–	11'90	–
Mugini Mining	♥	107	5.9	–	–	–	–	–
Normandy Poseidon	♥	75	–2.6	Q5½c	1.1	Oct	–	4851
NB Hill Peko.	♥	117½	–.4	Q11c	ϕ	Jun Dec	24.4	3524
Pancontinental	♥	81	8.9	–	–	–	–	3854
Paragon Res	♥	1½	—	–	–	–	–	4848
Pasminco	♥	98	–4.8	–	–	–	–	3828
Placer Pacific	♥	89	4.7	Q3½c	–	Mar	–	4855
PosGold	♥	102	12.1	Q9c	2.2	Oct	–	1371
Precious Metals	♥	11½	—	–	–	–	–	2537
Renison	♥	182	–.5	Q10c	2.3	Oct	23.9	3809
Resolute Resources	♥	29	28.1	–	–	–	–	–
St Barbara	♥	25	4.2	–	–	–	–	2482
Samson Expl.	♥	1	—	–	–	–	–	–
Sipa Resources	♥	14	33.3	–	–	–	–	–
Sons Gwalia	♥	250	–5.7	Q60c	0.8	Jun Dec	21.1	4865
Southern Pacific	♥	14	–12.5	–	–	–	–	4081
Spargos	♥	1½	—	–	–	–	–	–
Western Mining	‡	231xd	0.9	Q11c	–	Apr Oct	31.3	4479
Westralian Res	♥	6	—	–	–	–	–	–
Tins								
Ayer Hitam M$	♥	25	–47.9	Q17½c	–	Oct	9.3	1714
Gopeng M$		126	—	Q5c	15.4	Aug	13.7	2728
Malaysia Mine M$		51	—	Q12c	3.2	Dec Sep	2.11	3272
Petaling M$		161	—	Q10c	0.4	Jan	14.12	3844
Miscellaneous								
Anglesey		7	—	–	–	–	–	5186
Anglo-Dominion		8	–5.9	–	–	–	–	–
Caledonia Min.	♥	44	–3.3	–	–	–	–	–
Cape Range	♥	24	—	–	–	–	–	–
Cons Murch R		28	4.0	Q15c	3.5	Sep	10.8	2216
Emmex Intl IE	□	4	—	–	–	–	–	1416
Europa Mnls		15	—	–	–	–	–	3427
Glencar Expl IE	‡‡	6	–7.7	–	–	–	–	–
Greenwich Res	□	12¾	2.0	–	–	–	–	2773
Hemlo Gold C$		95	2.6	Q20c	–	Dec Jun	8.11	–
Ivernia West IE	‡‡□	54	1.9	–	–	–	–	–
Kenmare	□	8¾	20.7	–	–	–	–	1453
Malinga Res.		14	–12.5	–	–	–	–	–
Navan Res IE		28	–9.7	–	–	–	–	1195
5pc Ln Notes		30	–3.2	–	–	–	–	–
Oryx Gold		65½	—	–	–	–	–	3696
Plateau		38	—	–	–	–	–	3407
RTZ	□	694	3.6	19.5	1.1	Dec Jul	15.3	3880
Vaceya	□	5¾	9.5	–	–	–	–	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
ϕ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
∥ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 2

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
13¾	11½	AAR Corp	0.48	3.8	22	381	12½	12⅜	12⅜	+¼
27¾	20	A L Labs A x	0.18	0.8	36	276	23⅞	22¾	22¾	-⅞
61⅜	54⅝	AMP Inc	1.60	2.7	21	1758	60	59½	59⅝	-½
70¼	55½	AMR			10	3556	64⅞	63⅝	63½	-1⅛
2	1¾	ARX			10	8	1¾	d1¾	1¾	-⅛
41⅝	29⅞	ASA	2.00	4.8	27	1167	u42½	41¾	42	+½
30¾	22⅝	Abbott Lab	0.68	2.7	17	14047	25⅜	24½	25	-⅛
12⅜	10¼	Abitibi Pr	0.50	4.1	4	5	12	12	12¼	
11⅝	10¾	ACM Gvt In	0.96	8.5		441	11¼	11⅛	11¼	
9⅞	8⅛	ACM GvOpp	0.79	8.4		35	9½	9⅜	9⅜	-⅛
9⅝	8¾	ACM Gvt Sp x	0.79	8.5		96	9⅝	9¼	9¼	-⅛
11⅞	10½	ACM Gvt Se x	0.96	8.7		188	11⅛	11	11	
10⅞	9⅝	ACM Man	1.08	10.3		185	10⅝	10½	10½	
9⅞	8⅝	ACM Managd	0.72	7.8		408	9¼	9	9¼	+⅛
8⅞	7¾	Acme Cleve	0.40	5.0	17	7	8	7⅞	8	
9¼	6½	Acme Elect			775	13	7¾	7¾	7¾	
16	12⅛	Acuson			12	1275	13¼	13	13	-⅛
22¼	19⅝	Adams Expr	0.48	2.3	1	37	21⅜	21⅛	21¼	-⅛
52⅞	45½	Ad Micro	3.00	6.1		273	50¼	49	49¼	-1½
24⅞	17⅝	Ad Micro P	3.00	14.0	8	10386	22½	21⅝	21⅝	-1¼
7¾	5½	Advest Grp	0.16	2.3	14	68	6⅞	6⅞	6⅞	-⅛
49⅞	41⅛	Aegon ADR	1.35	2.8	6	39	49¼	47½	47½	-1⅝
53¾	43⅞	Aetna Lf	2.76	5.7	972	4068	49	48½	48⅝	-⅜
14½	11½	AFB A	0.26	2.2	30	687	12⅛	12	12	
36⅞	33	Aflac	0.44	1.3	15	958	35	34⅞	34⅞	-1⅛

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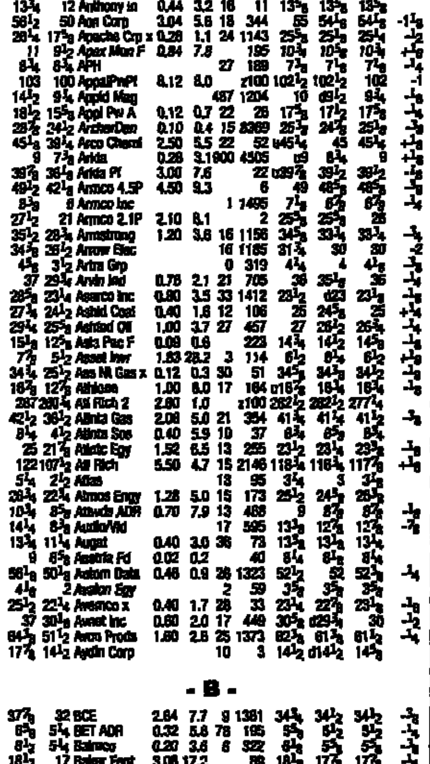


Continued on next page

4 pm close April 2

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close April 2

AMEX COMPOSITE PRICES

4 pm close April 2

MONDAY INTERVIEW

Presenting a bright new image

João de Deus Pinheiro, EC commissioner for internal political relations, talks to David Gardner

João de Deus Pinheiro is fortunate to have an engineering background since he has taken on a job he is having almost to invent. Despite his formal title as EC commissioner for internal political relations, his real job is commissioner for "openness".

His task is to clean up the image of the Community – and particularly of the European Commission in Brussels – at probably the nadir of "Europe's" popularity with its citizens.

His approach is simple. "We will tell the truth," he says reiteratively. "We want the citizens to know exactly what is going on," he insists, adding EC "information should show things as they are, not as we would wish they should be."

This approach could hardly be in starker contrast to the independent report on EC information policy, presented last Wednesday to universal derision. That report was ordered by the Commission in November from a committee of "outside experts", dominated by figures from public relations and advertising, and headed by Mr Willy de Clercq, former Belgian minister, ex-commissioner, and now Euro-MP.

Its sub-Orwellian strategy to make Europeans like the political and monetary union forseen by the Maastricht treaty prescribed, *inter alia:*

- A Euro-office of communications centralised on the Commission, which would secure "binding agreements" after every significant EC decision about "the message to communicate and the means for its communication."
- "Positioning" the EC as "a branded product", with its own symbols ranging from a Euro-birth certificate to a European Order of Merit.
- The "targetting" of journalists and editors (also known as "transmitters" and "relevant multipliers"), "so that they subsequently become enthusiastic supporters of the cause".
- The "review" of school textbooks, "not in order to rewrite history, but to ensure that a European dimension is given to our past."
- Slogans to replace the "far too technical" EC treaties with the theme of "togetherness" (for example: TOGETHER TO PROMOTE, PROGRESS & PROSPERITY, PROTECTION AND PEACE, TOGETHER FOR EUROPE TO THE BENEFIT OF US ALL!). The EC must be brought "closer to the people", the de Clercq report says, "implicitly evoking the maternal, nurturing care of 'Europa' for all her children."

Mr Pinheiro says "we were absolutely taken aback" by this politically tin-eared adman's fantasy when the Commission got it a week ago. Another top Commission official was less restrained. "This crap," he fumed, "is just what we need to lose the Danish referendum" on Maastricht – due on May 18, and still as touch and go as the British government's struggle to get the treaty through parliament. The instinct of some senior officials was to suppress an obviously damaging recipe for a public relations fiasco.

Mr Pinheiro's credibility, as the man in charge of restoring the Commission's credibility, risked going up in flames. "What are we going to do?" he says the commissioners asked themselves. "Should we refuse to go to the press conference?"

He insisted de Clercq be told he would not get their support, then went with him to face the press. Amid the tumult of scorn and laughter from the aggrieved "transmitters", he firmly but politely took his distance.

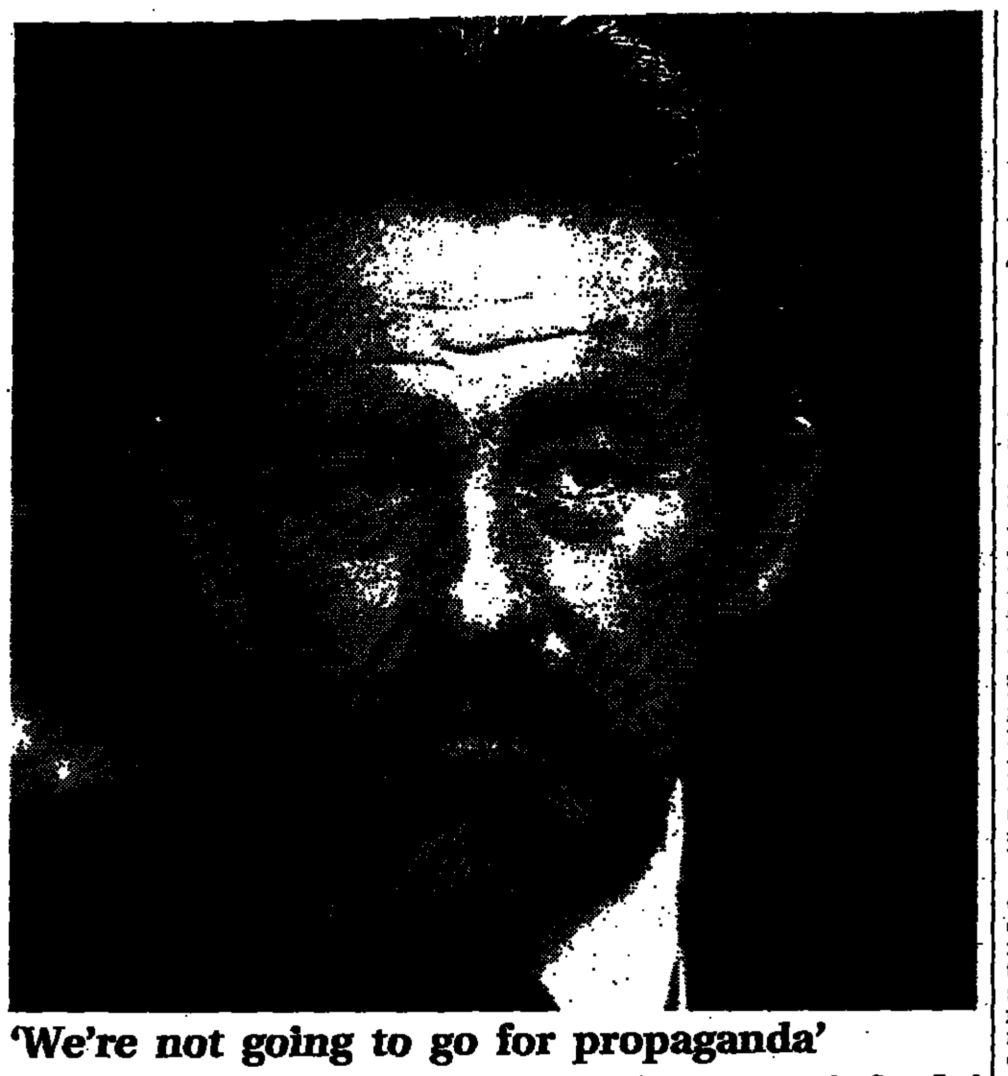
"The diagnosis is good, but the therapy is not acceptable... at least to me," he said. The Commission would be bringing forward its own proposals in the last week of April. His record as chairman of the Council of Ministers of the 12 during Portugal's presidency in the first half of last year showed that "there was no manipulation".

"We're not going to go for propaganda," he pledged, "the main task is to tell the truth." Now he has to prove that this was a first act of openness, announcing a new dispensation in EC information policy.

Deus Pinheiro, as he is known in his native Portugal, could well be the sort of man who fits the current mood across Europe. This has as one of its distinguishing features a revulsion against politics as now practised at national or Community level.

As Portuguese foreign minister, he was a well-regarded and thoughtful president of the EC council. By 10.30 on the morning after Danish voters sparked off the EC's crisis of confidence, rejecting Maastricht last June 2, he had secured the unanimous support of the 12 to press on with ratifying the treaty.

Yet a month later, he decided to leave politics. "I didn't want to be a professional politician any more. People are tired of the faces they see and tired of the old politics. They want something more responsive to civil society, something which uses the strength of society." Something, he offers tentatively, "a bit more like Clinton."



'We're not going to go for propaganda'

PERSONAL FILE

- **1945** Born in Lisbon.
- **1976** Took doctorate in chemical engineering at University of Birmingham; named to chair of engineering sciences at University of Minho, Portugal, and later vice-chancellor.
- **1981-82** Appointed junior education minister.
- **1984-86** Minister of education and culture.
- **1987-92** Foreign minister.
- **1992** President of EC Council of Ministers.
- **1993** EC commissioner for internal political relations.

Nor, initially, did he want to accept his government's nomination as commissioner; he preferred going back to his tenured professorship of engineering and to seats on three corporate boards. But when Commission president Mr Jacques Delors suggested he take on the job of opening up Brussels policy-making to greater public scrutiny, "it was such a challenge I felt bound to accept."

"A certain humility is called for" within the Commission, he says, in order to "stop being secretive, admit our mistakes" and be open about internal debate. Currently, one of the main functions of the Commission spokesman's service is to deodorise any whiff of internal controversy, jealously guarded as *cuisine interne*.

"If we decide on a certain line, we should stick to it, but that is different," Mr Pinheiro argues.

As talks start this week on how to make the EC single market work, Mr Pinheiro says the project is already partly discredited "because the negative sides of it were suppressed. It was always presented in golden form," he remonstrates, "there was no attempt to find a balance."

"What people want to know is more important than what we want to give them," and the reforms he intends to put to his colleagues in a few weeks time will try "to make reality available" in a "demand-oriented, natural way." If he gets his way, they will:

- Overhaul and slim down the ineffectual information directorate general (DG10). Staff will be appointed to gather and provide "information, background, context and precedent" on demand. "The structure of DG10 will be such that everyone will know exactly who is responsible for what," promises the commissioner for openness.
- Have DG10 monitored forensically by a group of five experts independent of other Brussels departments, and overseen by a regularly rotated consultative council of users, "to make sure its working as a service," he says.
- Make Commission delegations in member states "of better quality", sifting differing national concerns and feeding back "sensitivities, moods and demands".

One thing he would like the 12 to do is to allow television cameras into the Council of Ministers "100 per cent" – except for "delicate matters concerning third countries... which are usually done over lunch anyway." Three Council debates will be televised today and tomorrow, after the current Danish presidency's temporary victory in arguing down vetoes from Belgium, Luxembourg and, as it happens, Portugal.

Mr Pinheiro sees changes in the secretive, decision-making habits of some member states coming slowly. But he is determined that "the Commission will have to change overnight." Not all his colleagues favour transparency, he acknowledges, forseeing "a big fight ahead in the Commission." But he is utterly confident he has Mr Delors' support to effect "a huge change in attitude, from top to bottom."

"Vanguards are over, people want leadership, yes, but not vanguards, that's over."

A mini-scare on the economy

MICHAEL PROWSE on AMERICA

Was robust US economic growth at the end of last year a statistical illusion – the temporary fruits of increasingly desperate attempts by the Bush administration to secure a convincing recovery ahead of last November's election? A school of bearish economists has always harboured doubts. Mr Jay Levy, senior pessimist at the Jerome Levy Economics Institute, claims that last year's upturn was largely induced by a relaxation of fiscal policy, following the cut in tax withholding rates last spring and efforts to accelerate federal spending. Between July and early September, the Federal Reserve did its bit by cutting the already low federal funds rate by three quarters of a point.

Sceptics are having a field day. On Tuesday the Conference Board announced gloomy figures suggesting that most of the post-election surge in consumer confidence had evaporated by March, when its index fell to the miserably low level of 62.6, far below normal recovery levels. On Thursday, the Purchasing Managers' Index – a reliable barometer of conditions in manufacturing – was reported well down for the second month running. On Friday, markets were zapped by official figures showing a fall in payroll employment of 22,000 last month, against projections of an increase of 100,000-150,000. Rattled by the prospect of a price war in the tobacco industry, shares went into a tailspin, pulling the Dow Jones index down nearly 70 points by the end of trading.

Cabinet officials jumped on the figures. "We're sure not coming out of this recession," said treasury secretary Lloyd Bentsen, who is annoyed that Senate republicans are still blocking the administration's $16bn fiscal stimulus package. Mr Robert Reich, the labour secretary (who would spend much of the cash on a summer jobs programme), gloomily reiterated earlier warnings that the economy was still too weak to generate "full-time permanent jobs".

Nobody doubts that the economy has slowed from the unsustainable 4.7 per cent annual rate of growth registered in the fourth quarter. At issue is the precise rate of growth at which it is now settling. If it were to prove less than 3 per cent, unemployment might not fall below the current level of 7 per cent, which would cause consternation at both ends of Pennsylvania Avenue. Pressure for a more expansionary fiscal and monetary policy could build up rapidly, casting doubt on medium-term efforts to reduce the budget deficit, which are anyway far less ambitious than most pundits realise.

Fortunately, growth appears more robust than the chronically volatile monthly figures might suggest. The drop in employment last month was partly a reflection of severe winter storms and partly a correction following the outsized 367,000 leap in payrolls in February. Taking the first quarter as a whole, employment grew at an average monthly rate of 125,000, against 85,000 in the fourth quarter of last year and 38,000 in the preceding three quarters. This is respectable given slower growth of the labour force than in previous recoveries.

The Conference Board probably overstated the fall in consumer confidence: the rival University of Michigan index points to an improvement in consumer sentiment at the end of last month. Actual spending, meanwhile, has held up quite well: data for January and February point to real growth of consumer spending at an annual rate of 3.5 per cent in the first quarter. Factory orders are running nearly 11 per cent higher than this time last year; industrial production, while losing a little momentum, is still up more than 4 per cent on an annual comparison.

Fears that the recovery is fading are hard to square with tentative signs of rising inflationary pressures, which have squelched the bond market's impressive rally (long yields have edged back above 7 per cent). For bond traders the most unnerving aspect of Friday's jobs report was the 0.5 per cent rise in average hourly earnings last month.

This follows a pick up in both consumer and wholesale price inflation since the start of the year: excluding food and energy (which tend to be volatile) consumer and producer prices are growing at an annual rate of 4.5 per cent and 3.4 per cent, compared with 3.2 per cent and 0.7 per cent respectively in the second half of last year. Some, but not all, commodity price indices have also risen sharply since Christmas.

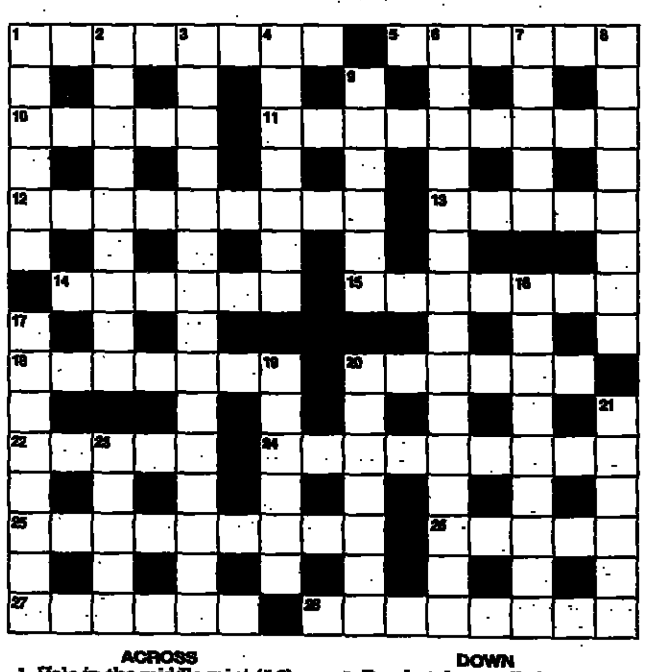
The price figures are causing much head-scratching, not least at the Fed, which in February was predicting further falls in consumer price inflation, to perhaps 2.5 per cent against 3.0 per cent last year. Unless the wave of restructuring in US industry has caused a mismatch between worker skills and employment opportunities, thus raising the "natural" rate of unemployment (the rate consistent with stable inflation), it is hard to see why inflationary pressures should be emerging this soon; yet the range of indicators pointing to a stirring of inflation seems too broad to be readily dismissed as a fluke.

The pessimists are wrong to fear a sudden collapse in growth. The more insidious danger is that the Fed, eager to remain friends with the White House, will delay tightening monetary policy for too long, in the process squandering its opportunity to lock in very low inflation.

JOTTER PAD

CROSSWORD

No.8,119 Set by DANTE



ACROSS

1 Hole-in-the-middle mint (5,3)
5 Far-flung relief for the fearful (6)
10 A place in Spain (5)
11 Damp course laid across another sort of course (5,4)
12 Rate reform more certain – official (9)
13 A deal with America for plant (5)
14 Sort of suit or suite (6)
15 Doctor with work-permit to set up drip (7)
18 Stays if made content (7)
20 Talented number go to the bar (6)
22 He could get riled if made to work (5)
24 It's crazy to get tight then dance (9)
25 Watch and see how long the music takes (9)
26 Parts with some bread, we hear (5)
27 Describing Hamlet and his difficulty (6)
28 Middle West ground to be avoided (8)

DOWN

1 Rarely taken walk (2,4)
2 Doesn't include signs of spring (6,3)
3 Spartan dress, it's becoming standard (5,3,7)
4 Bows were made from it, yet were wrongly formed (3,4)
6 To the limit of personal financial resources? (3,3,4,5)
7 Person of mature age gives notice in the last month (5)
8 Top sides change places (8)
9 Sorted, resorted and stocked (6)
16 Willingly permit to remain inactive (3,6)
17 Helped a fool with new diets (8)
19 Sycophants, according to an enemy's version (3,3)
20 Controls the market at street junctions (7)
21 Not open for business yet clinched the deal (6)
23 A tart and unsatisfactory type of answer (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 17.

The peacekeeping trap

IAN DAVIDSON on EUROPE

With the end of the Cold War, the United Nations seemed at last able to live up to its charter mandate as the foundation of a better world order. And since the Gulf crisis of 1990-91, it has gained credibility as the legitimate enforcer of the international rule of law, with a rapid expansion of peacekeeping operations in crisis areas across the world.

The war in Bosnia is about to test these expectations in the fire of reality. And the chances are that the United Nations, and the leading members of the Security Council, will come out of it badly burned.

Ever since this savage war began, the outside world has feared to get involved, and has strained to keep it at arm's length. But television has made indifference impossible; progressively the international community is being dragged from humanitarian aid to political commitment, and now it is reaching the bar of desperate military decisions.

With the no-flight ban, the United Nations Security Council last week took a significant and possibly fateful step down a road which could lead to direct military involvement in Bosnia. Nato member states made preparations to provide the combat aircraft to put the ban into action. And if this fails to bring the Serbs to an accommodation under the Vance-Owen peace plan, the Security Council will debate tougher sanctions against Yugoslavia.

Certainly, bringing peace to Bosnia seems a logical extension of the UN's expanded peacekeeping role. Two years ago, the organisation had 15,000 peacekeepers around the world; today it has nearly 55,000 deployed in 14 different operations, from Cambodia to Somalia. Two years ago, in the two-year budget period 1990-91, the cost of UN peacekeeping operations was $619m; last year the cost of peacekeeping rose to $1.5bn.

This year's peacekeeping budget is $2.5bn; but expanding activity means the final figure could work out at anything between $4.5bn and $7.5bn. Peacekeeping is now by far the organisation's single biggest activity, costing 50 per cent more than the UN's non-peacekeeping budget.

The central problem in the peacekeeping equation concerns the use of force. If the blue helmets are only there to monitor a ceasefire that is already in place, the operation may be simple, cheap and uncontroversial. In Somalia, substantial force was required to guarantee humanitarian aid; but intimidation of the warlords was not too difficult, and the UN may now be able to help restore the state.

With the war in Bosnia, however, the UN is in territory which is not just uncharted but dangerous. The dilemma is that the international community is progressively getting hooked on a commitment to make peace in Bosnia before there is any reliable prospect of a peace agreement. If the warring parties sign an agreement, on the basis of the Vance-Owen peace negotiations, the UN will be bound to send troops to enforce it. Given what we know of Serbian war-aims, it seems likely that even an "agreed" peace would have to be imposed by force. In short, the UN could find itself dragged progressively from peacekeeping into peacemaking, from the monitoring of peace to the making of war.

Western governments can see the dangers all too clearly; and their generals have no desire to get into a no-win situation, which could lead to a military disaster, but which cannot provide a military solution to a political problem. On the other hand, the UN Security Council is now getting so deeply committed to the search for a solution, that it cannot easily declare the problem insoluble and simply walk away.

The UN suspended its rescue convoys from Srebrenica after seven women and children died in the crush; but world opinion will inevitably demand that the rescues resume, because the need is so great. So the rescues will have to take place on a bigger scale.

The hard lesson we may have to learn from the war in Bosnia, is that when peacekeeping is most desperately needed, it is likely to demand more than the international community is ready to give. This is not mainly a matter of money: last year's UN peacekeeping operations cost less than the New York City Police Department, and was a tiny fraction of one per cent of what the world spends on defence.

No, the real trouble with this kind of peacekeeping is that it will quickly come up against three harsh limitations: military resources, the political will of national governments, and international consent.

If the UN wants serious military capability it can get it only from three countries and one organisation: the US, France and Britain, and the Nato integrated command. But the UK is already alarmed at the strain on its military resources, even by its present rather modest commitment to Bosnia; it is demanding in advance a commitment to rotation by other countries. The Germans cannot go, and the Russians will inevitably collaborate with the Serbs. So where will the UN find other military forces that are both professional and politically disciplined, for an operation that is bound to last for years and years?

But even if these three countries were able and willing to take on the burden, it would look terribly like a neo-imperialistic intervention, despite the blue UN helmets. That is surely not the kind of peacekeeping the rest of the world would want to endorse. In short, our vastly expanded expectations of the UN's peacekeeping role may already have out-run what is possible. Indeed, they may even have out-run what is desirable.